

*RSH registered number L0871*

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**ORIGIN HOUSING LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

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**YEAR ENDED 31 MARCH 2018**

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**BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS**

<b>Board Members</b>	
Chair	Steve White
Vice Chair	Nicky Wilden
Other Members	Carol Carter (appointed April 2017) Anne Bowers Mash Halai Mary Gibbons Stephen Mutton Gordon Wright Julia Porter Bryan Ingleby Chris Bond Paul McCann (resigned January 2018) Olivia Gadd (appointed April 2018)
Chair of Audit & Risk Committee	Gordon Wright
Chair of Operations Committee	Anne Bowers
Chair of Governance Committee	Nicky Wilden
Chair of Investment Committee	Chris Bond
<b>Executive Directors</b>	
Chief Executive	Carol Carter (appointed April 2017)
Director of Finance & Company Secretary	Chris Trebilcock
Director of Development and Assets	Gareth Jones
Director of Operations	Richard Parkin
Director of Business Transformation	Brintha Kumar (appointed May 2018)
Director of Corporate Services	Cathy McCarthy (resigned April 2018)
<b>Registered office</b>	St Richard's House 110 Eversholt Street London NW1 1BS
<b>Registered number</b>	Incorporated as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No: 10008R  Registered by the Homes & Communities Agency, No: L0871
<b>Auditors</b>	KPMG LLP 15 Canada Square Canary Wharf London E14 5GL
<b>Internal Auditors</b>	RSM Risk Assurance Services LLP The Pinnacle 170 Midsummer Boulevard Milton Keynes Bucks MK9 1BP
<b>Principal Solicitors</b>	Trowers & Hamlins 3 Bunhill Row London EC1Y 8YZ
<b>Bankers</b>	Royal Bank of Scotland 189-191 Camden High Street London NW1 7BP

**CHAIR'S STATEMENT**

It is a great credit to everyone at Origin and our strength, resilience and adaptability as a business that, despite the year's challenges in terms of the economic, political and social context, we continued to make good progress with our ambition to build more homes and provide high quality landlord and support services that make a difference to people's lives.

Of course, it is with great sadness that the sector was overshadowed this year by tragedy at Grenfell Tower. This unprecedented event has brought into sharp focus the importance of ensuring a safe living environment for our residents. Prior to this event Origin had already substantially increased investment in health and safety maintenance. Since then we have continued to invest heavily to assess whether modifications are necessary to both our building materials and fire prevention systems, to ensure they are fit for purpose and meet regulatory requirements and best practice.

Value for Money (VFM) continues to underpin our mission of 'Great Homes', 'Positive People' and 'Strong Communities', and our core values are intrinsic to our business plan, service delivery and day-to-day work. 'Customer Focus' and 'Adding value' are two of our five core values and during 2017-18 we committed significant investment to improve customer service over the coming 18 months.

VFM is also fundamental to the Board's approach to governance. As Chair of the Board of Origin Housing, I and my Board colleagues are committed to continuing to embed VFM in our strategic decision making and across the business. This means deploying our resources effectively to support our key priorities; investing to improve services and enhance efficiency, active management of our stock portfolio to generate added value and controlling operating costs. Focussing on VFM benefits our customers and strengthens our financial viability so we can deliver more affordable homes.

This year, our Business Transformation Programme has seen us invest in and roll out a new CRM system which supports improved customer service; work with our key maintenance service suppliers to streamline our repairs processes; improve our property data and enhance technical and contract management skills. We have approved a new IT strategy which will consolidate and integrate our core systems and provide more infrastructure resilience and capacity as well as a new People strategy to ensure we recruit, retain and develop the best people with the skills we need to further grow our business. In the coming year we will introduce enhanced on line access, offering modern, scalable, easy-to-use landlord services.

Of particular note, Origin expanded its Young People service in partnership with Camden Council, providing an additional 20 supported living units for young vulnerable people. We also moved our Care and Support function to our head office, which will facilitate greater collaboration and help our drive to improve customer satisfaction.

During the year we entered into two Joint Ventures with our partner, Hills Residential, which will deliver 320 new homes, and we are on track to complete over 1,000 homes by 2021/22, of which 75% will be affordable. The Board has been very much aware of the potential risks posed by the current uncertain condition of the London property market and in response has rebalanced Origin's development programme to reduce the exposure to sales to the private residential property market.

We will continue to engage closely with the Greater London Authority as London's strategic housing authority and have benefited from low cost development scheme funding as well as access to £1.8m of grant. Our membership of the Connected Partnership is well regarded by the Mayor. By continuing to work closely together we will grow our affordable home provision and meet our 2022 development ambition. I would like to thank all of our local authority partners who have engaged with us over the past year particularly in increasing the supply of new homes, improving neighbourhoods and building sustainable communities.

After three years as Chair of the Board, I will be stepping down in September. I would like to thank all our people for their commitment and dedication, and, my Board colleagues for their continued and valuable leadership. Thanks to our shared values and vision coupled with effective leadership from the Executive team I am proud of what we have achieved in that time and I am confident that Origin will achieve its goals over the coming five years.

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**REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2018**

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2018.

**Principal activities**

Origin Housing Limited ('the Association') is a charitable registered provider of social housing administered by a Board, all the members of which are paid. The Association's principal activities are the development and management of housing and the provision of care and support services. 'The Group' consists of the Association and the subsidiaries listed in Note 14, 'Investment in subsidiaries', to the financial statements. The activities of the Group are detailed in the Strategic Report on pages 17 to 21.

**Business review**

Details of the Group's performance for the year and future plans are set out in the Strategic Report that follows this Report of the Board.

**Legal status**

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a registered provider.

**Housing property assets**

Details of changes to the Group's housing property assets are shown in notes 11 and 12 to the financial statements. Housing property values are considered in the Strategic Report.

**Reserves**

After the transfer of the total comprehensive income for the year of £15,334k (2017: £23,297k), the year-end reserves of the Group amounted to £344.5m (2017: £329.1m).

**Donations**

The Group did not make any donations during this nor the previous financial year.

**Payment of creditors**

In line with Government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier.

**Financial instruments**

The Group's approach to financial risk management is outlined in the Strategic Report.

**Employees**

The strength of the Group lies in the quality of all its employees. In particular, our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on their contribution. Our aim is that staff are engaged, motivated, high performing and proud to work for Origin. Becoming an employer of choice for a diverse group of people, representative of our communities is an important part of this and is part of our commitment to equality and diversity.

The Group shares information on its objectives, progress and activities through regular office and departmental meetings involving the senior management team and staff.

**Severance and Redundancy Payments**

The total severance and redundancy payments made during the year were £78.9k (2017: £167.8k) relating to 8 (2017: 15) individuals.

**Health and safety**

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

**Responsibilities of board members and Executive Directors**

The Board members and the Executive Directors of the Group, together with changes that have occurred during the year are set out on page two. Board members are drawn from a wide background bringing strong and diverse professional, commercial and local skills and experience.

The performance of individual Board members is reviewed annually by the Chair. An independent consultant conducts the appraisal of the Chair with input from the Board and Executive Directors. Board member remuneration is disclosed in note 9 to the financial statements.

Group insurance policies indemnify Board members and officers against liability when acting for the Group.

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**REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2018 (CONTINUED)****Service contracts**

The Chief Executive is appointed on a permanent contract on six months' notice. The other Executive Directors are employed on three months' notice. Details of the Executive Directors' remuneration packages are included in note 9 to the audited financial statements.

**Pensions**

Permanent members of the Executive team and most staff are members of one of the Social Housing Pension Scheme (SHPS) schemes: SHPS defined benefit final salary pension scheme; SHPS defined benefit career average earnings pension scheme; or the SHPS defined contribution scheme. The Executive Directors participate in the schemes on the same terms as all other eligible staff. The Association contributes to the schemes on behalf of its employees. The details of the schemes are explained in note 8 to the financial statements.

**Qualifying third party indemnity provisions**

The company has qualifying third party indemnity provision in place for the directors of Origin Housing Limited, under the NHF's directors' and officers' liability cover in addition to a top up policy for directors' and officers' cover with W/R/B Underwriting. Group insurance policies also indemnify Board members against liability when acting for the Group.

**Compliance with Governance and Financial Viability**

In preparing this report, the Board has followed the principles set out in Section 4 of the Housing SORP 2014 'Statement of Recommended Practice for Social Housing Providers' and 'The Accounting Direction for Private Registered Providers of Social Housing 2015' published by the Regulator of Social Housing (RSH) formerly Homes and Communities Agency (HCA).

The Board has undertaken an assessment of its compliance with the Governance & Financial Viability Standard and complies in all material respects. We have further developed our Assets & Liabilities Register, continued to carry out multi-variate stress tests on our financial plans and further improved our approach to managing risks through revising our strategic risk register, reviewing our risk appetite statement and documenting our sources of assurances. In our statutory financial statements last year, we referenced a previous self-report to the Regulator on fire safety dating from early 2016. Since then we have improved our Health and Safety system (policies and processes), which is subject to independent audit and we have made significant investment in this area – both in corporate health & safety and landlord safety compliance – to strengthen the overall approach to our health and safety control environment. Action plans are in place, which are monitored by a quarterly Health & Safety Committee chaired by the CEO and a Board level Health and Safety Oversight Group.

**NHF Code of Governance and Code of Conduct**

Origin Housing Limited has adopted the NHF Code of Governance 2015.

Following our annual review, the Board can confirm that Origin Housing Limited complies with the Code of Governance, and the Board and Executive team are committed to upholding the Code, and to adhering to the high standards of conduct set out in the NHF Code of Conduct.

**Resident involvement**

The Group encourages resident involvement in decision-making through a range of mechanisms, which offer diverse opportunities to influence our services. These include ongoing independent customer feedback surveys; resident scrutiny panels; digital engagement; local resident associations and community events. We continue to work with residents to keep these arrangements under review and ensure that we remain transparent and accessible. As at 31 March 2018 the Group had one resident Board member.

**Going concern**

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

**Assessment of the effectiveness of internal control**

The Board is responsible for maintaining a sound system of internal controls within the Association and for reviewing its effectiveness. It delegates the ongoing review of controls to the Audit and Risk Committee and the Board receives an annual report from both the Committee and the Executive.

The system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives and as such can only provide reasonable and not absolute assurance, against material misstatement, loss or failure to achieve the business objectives.

**REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2018 (CONTINUED)**

In fulfilling these responsibilities the Board has ensured that the process for identifying, evaluating and managing the significant risks faced by the Association is a continuing process and is embedded in the day-to-day management and governance processes. This has been in place for the year under review and up to the date of the approval of these accounts and report.

The Board has agreed a number of key policies designed to ensure effective internal controls including:

- Risk Management Strategy, Policy and Procedure.
- Strategic Risk Monitoring Policy.
- Statement of Risk Appetite.
- Rules and Standing Orders of the Association (including terms of reference for Boards and Committees).
- Set of delegated powers detailing responsibilities for expenditure and authorisation of payments.
- Comprehensive set of financial and operating policies and procedures covering all aspects of the business.
- Risk based approach to internal audit reviews.
- Code of conduct for Board members and staff.
- Policy on regular performance reporting to the Board.
- Treasury Management Policy and Strategy with bi-annual reviews provided to the Investment Committee together with updates on the current position included in the quarterly management accounts provided to the Board.
- Treasury Golden Rules and Triggers.
- Investment Policy.
- Fraud and Anti Money Laundering Policies.
- Suppliers' Code of Conduct.

The Board has in place a comprehensive process to review the effectiveness of the Association's system of internal controls. This includes all of the following elements;

**Identifying and evaluating key risks and the control environment**

- Risk management framework which is regularly reviewed.
- Strategic risk register linked to the Association's key business plan objectives. During the year we have developed a Business Assurance Framework mapping the risks and controls against a three line of defence model.
- Review of the strategic risk register and internal controls by the Audit and Risk Committee at each meeting, which is reported to the Board bi-annually.
- A strategic risk register reviewed quarterly by the Executive.
- Five year Business Plan developed from a 30 year planning model which is reviewed annually.
- Review of high level business plan risks, multi variate stress testing and mitigation plans as part of the annual review of the business plan.
- Reports to the Audit and Risk Committee and Board on any significant changes affecting key risks.
- Review against Treasury Golden Rules and Triggers reported to Board monthly.
- Executive Investment Panel and a Board Investment Committee which reviews the financial and other risks attached to all new business initiatives within the limits of their delegated authority.
- Executive Risk Assessment Panel which reviews other risks apart from new business initiatives and funding issues.
- Operations Committee which reviews operational risks and provides assurance that statutory and regulatory requirements are met.

**Information and reporting systems**

- An annual budget agreed before the beginning of each financial year.
- Quarterly performance reports to Boards.
- Quarterly management accounts to the Board.
- A monthly balanced scorecard report reviewed by the Executive and senior managers covering all key performance areas.
- An annual review of performance and setting of new targets by the Board.
- A comprehensive Business Plan which is annually reviewed by the Board.
- Minutes of the Audit and Risk Committee considered by the Board.
- Minutes of the Risk Assessment Panel considered by the Audit and Risk Committee.
- All decisions by the Executive Investment Panel considered by the Investment Committee.
- Minutes of the Executive Investment Panel and Risk Assessment Panel considered by the Executive.
- Reports to the Audit and Risk Committee and Board on any fraudulent activity.
- A Staff and Board Code of Conduct.
- Reports from the Regulator on regulatory matters are reviewed by the Board.
- Annual Value for Money Reports.
- Annual Review of compliance with the NHF Code of Governance and Code of Conduct.

**REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2018 (CONTINUED)****Monitoring arrangements on control issues**

- A regular programme of internal audit reviews based on the risk map and reported to the Audit and Risk Committee consisting of non-executive directors.
- An annual report from the Internal Auditor to the Audit and Risk Committee and the Board.
- A regular review by the Internal Auditor of the completion of internal audit recommendations, which are reported to the Audit and Risk Committee.
- Review of external audit management letters and action taken by officers.
- A review of strategic risks and controls by the Audit and Risk Committee three times a year.
- A quarterly review by the Executive of strategic risks.
- The annual report by the Executive team to the Audit and Risk Committee and Board on the effectiveness of internal controls.

This process culminates in an Annual Report by the Executive team on the Effectiveness of Internal Controls to the Audit and Risk Committee and a subsequent report from the Committee to the Board.

As an outcome of these processes and procedures the Board has concluded that there are no significant control issues and nothing requiring reporting to the regulator. This assessment is supported by the Internal Auditor's assessment that for the year that Origin has an adequate and effective framework for risk management, governance and internal control.

**Annual general meeting**

The annual general meeting will be held on 5 September 2018 at St. Richard's House, 110 Eversholt Street, London, NW1 1BS.

**Disclosure of information to auditors**

At the date of making this report each of the Association's Board members, as set out on page two, 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.
- Each Board member has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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.

**Post balance sheet events**

There have been no significant post balance sheet events

**External auditors**

KPMG LLP will be proposed for reappointment at the forthcoming annual general meeting. BDO LLP resigned as auditors during the year ended 31 March 2018 and KPMG LLP were appointed to fill the vacancy arising.

The next section "VALUE FOR MONEY (VFM) SELF ASSESSMENT 2017/18", is an integral part of the Report of the Board



## 2017/18 VALUE FOR MONEY (VFM) SELF ASSESSMENT

### Introduction

Value for Money (VFM) underpins our mission of 'Great Homes', 'Positive People' and 'Strong Communities'. In an environment of financial, economic and political uncertainty, we have faced challenges to proactively drive value for money through our strategic decision making and across all areas of the business.

Since the introduction of the updated VFM standard issued in April 2018 we have commenced a review of our corporate VFM strategy that will continue to ensure the delivery of homes that meet a range of needs while also maximising financial return from our assets in the context of our primary social purpose.

We are committed to embedding VFM strategically throughout the business, particularly in focusing our resources on delivery of key business priorities, shaping our approach to service delivery and back office support and in forward planning and project management. We participate in benchmarking groups and collaborate with peer organisations to share and shape best practice.

### Our approach to VFM to enable robust decision making and planning

- The Board holds overall responsibility for delivering VFM, including setting the five-year business plan and the financial model which supports it. It undertakes an annual Board strategic review, which includes consideration of VFM.
- The Investment Committee is responsible for decisions regarding financing arrangements and investment of those resources in more homes.
- The Audit and Risk Committee's work includes reviewing internal audit reports on organisational performance.
- The Operations Committee is responsible for monitoring performance of services to customers, overseeing major service transformation and responding to stakeholder feedback.
- An overall VFM strategy is being reviewed in the context of the new regulatory standards and in order to set clear, deliverable efficiency targets which will release capacity to do more in the longer term
- The Executive team reviews business performance and delivery, including a quarterly procurement value for money tracker. The Executive Investment Panel assesses investment options, takes decisions and makes recommendations to the Investment Committee
- Our Business plan defines our key priorities and is refreshed annually. We are currently working to refine our approach to change programme and project management to support delivery and so that we can properly capture the benefits of investment as well as the costs in our future plans
- Senior management has overall responsibility for the day-to-day work driving value for money, including the management of procurement and the control and effective use of our property assets.
- We actively support resident engagement and offer a range of mechanisms for residents to feedback, influence and shape services.
- We use Housemark (London & South East benchmark peer group) and other benchmarking as appropriate to compare our costs, quality and performance to identify where we can improve VFM. We are also members of sector and peer groups created to identify and implement best practice and improvements.

### Background Information

The principal activities of Origin and the Group are to provide quality affordable homes and effective landlord services. We also deliver services to meet the needs of all residents and to build sustainable communities. One key goal within Origin's Business Plan is to build 1,184 new homes across a variety of tenures by 2022.

Origin is a dynamic and diverse organisation that owns and manages 6,648 properties mainly in 15 Local Authorities in North London and Hertfordshire, across a range of tenures. The tenure portfolio is detailed below:

Tenure	Units
Social rented general needs	3,872
Intermediate and market rent	1,026
Supported social rent	299
Retirement social rent	382
Leasehold	530
Shared ownership	429
Commercial	110
	<b>6,648</b>

**2017/18 VALUE FOR MONEY (VFM) SELF ASSESSMENT (CONTINUED)**

We provided support services to 4,038 customers in 2017/18 in the following areas of activity:

Tenure	Customers
Retirement housing tenants	524
Supported housing tenants	664
Support to residents through our social investment strategies	961
*Support services to non- residents under contract	1,889
	<b>4,038</b>

\*Delivered mainly through our home improvement agency and handyperson service

We are pleased to note the number of residents to whom we provided support services during 2017-18 increased by 13% from 2016/17. This underlines our commitment to our original charitable objectives and improving the communities in which our residents live and work. We do this by:

- Building and managing quality homes for those on low incomes and young professionals needing access to affordable accommodation.
- Assisting residents to create strong communities.
- Supporting those who are vulnerable and have specialist support needs to live fulfilling independent lives.

**Overview of Business Transformation Programme**

In April 2015, Origin embarked on a business transformation programme (BTP) that required investment in services that would provide:

- Digital service options for customers.
- Improved consistency of service delivery.
- Better data, improved information and reporting available to staff.
- Increased business efficiency through improved systems and processes.

The BTP covers the period to March 2020 and supports delivery of efficiency savings required to fund the gap created by the July 2015 government announcement of a 1% reduction in social rent each year to March 2020. By investing in our services and people, we expect over time to improve both customer satisfaction as well as strengthening our financial performance. The BTP is underpinned by our commitment to both excellent customer service and value for money.

We have implemented a Customer Relationship Management Software (CRM) system which enables us to record enquiries and improve the speed and quality of our response so that more customers experience resolution the first time they contact us.

The BTP delivered the following in 2017/18:

- Provided customer service training to all our staff and those of our main repairs partner, Gilmartin's. This training will support a new culture of accountability and ownership across Origin and enable us to deliver services consistently well.
- Implemented the first phase of the CRM package and developed future phases ready to launch in 18/19.
- Launched the First Point of Contact Resolution approach to dealing with customer queries, specifically recording and reporting of progress.
- Continued implementation of the Electronic Document Management system (EDM) in the business, which enables our people to access information wherever they are working. This also helps to centralise our document management system and has achieved considerable savings.
- Invested significantly in Health and Safety to strengthen our approach around Gas, Fire, Lists, Asbestos, Water and PAT testing.
- Service reviews including compliance data and reporting, repairs and maintenance service, contact centre service delivery and a property information review to underpin our stock investment programme.
- Completed the centralisation of our two main offices to one location, which will support new working practices and generate income from our office in Randolph Street, Camden as well as achieve considerable savings.
- Launched a new website which is more intuitive to use and more informative for customers.

Furthermore, we continue to implement process mapping for all our reviews to identify opportunities for improvement in efficiency.

**2017/18 VALUE FOR MONEY (VFM) SELF ASSESSMENT (CONTINUED)**

In 2018/19 we will:

- Implement further modules for CRM to improve customer contact capability.
- Enhance our database to support the customer services centre in handling a wider range of enquiries.
- Complete the implementation of the EDM system.
- Provide more services on-line, particularly around residents' ability to access their own information and place repairs requests.
- Leverage our IT to act as a source for improving operational efficiency and reducing costs whilst adding flexibility for the future.
- Review of our Property Maintenance arrangements to deliver our business objectives in improving our customer experience, VFM and compliance.
- We continue to engage with our residents and consulted with them on a number of initiatives, including service delivery and how they want us to communicate with them.

There has been a review of our Business Plan with Business Priorities agreed by Board for the next two years. A Director of Business Transformation has been recruited to support delivery of these new priorities and future work that integrates our systems more and provides opportunities for digitised and automated working will present opportunities for further efficiencies and savings.

**Business Health**

We compare certain indices against other registered providers of social housing in London and the South East of England using data held by Housemark (one of the UK sector's largest membership organisations for housing data) based on the results for the fiscal year 2016/17. This provides a general benchmark as they cover all traditional housing associations many of which have different characteristics from Origin and do not all have the diversity of services we provide and/or do not have a development programme.

Below we present a range of indices setting out Origin's performance against a number of sector ratings adopted by the Social Housing Regulator. These indices are calculated on the basis set out by the Social Housing Regulator and thus the Operating Surplus used in the calculation of these indices excludes profits and losses on the sale of fixed assets and movements in the fair value of investment properties.

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Operating Margin on Social Housing Lettings</b>	<b>24.0%</b>	<b>37.0%</b>	<b>30.7%</b>	<b>27.4%</b>	<b>25.2%</b>	<b>29.4%</b>	<b>33.5%</b>
<i>Per Housemark</i>							
Upper Quartile	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%	43.2%
Median	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%	34.8%
Lower Quartile	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%	27.5%

The reduction in the Operating Margin on Social Housing Lettings in 2017/18 reflects a number of factors. Regulated rents are reducing by 1% per annum until March 2020. Origin has increased expenditure on health and safety related maintenance. This is scheduled to continue into 2018/19 before reducing but remaining at a higher level than in 2016/17 in subsequent years. We have recognised the need to improve customer satisfaction levels and consequently have commenced an investment programme to transform our business processes and systems which will be delivered over the period to March 2020. We are also anticipating a £279k increase in depreciation charges from 2018/19.

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Operating Margin</b>	<b>20.4%</b>	<b>31.8%</b>	<b>29.3%</b>	<b>26.2%</b>	<b>27.0%</b>	<b>26.2%</b>	<b>26.8%</b>
<i>Per Housemark</i>							
Upper Quartile	39.2%	39.2%	39.2%	39.2%	39.2%	39.2%	39.2%
Median	32.3%	32.3%	32.3%	32.3%	32.3%	32.3%	32.3%
Lower Quartile	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%	25.7%

In addition to the factors detailed above there is projected to be an increase in shared ownership first tranche sales and private sales in future years which although profitable reduce the overall operating margin.

**2017/18 VALUE FOR MONEY (VFM) SELF ASSESSMENT (CONTINUED)**

The low EBITDA (MRI) in the current year – see table below – is largely due to increased capitalised maintenance costs arising from estate regeneration and the accelerated maintenance programme of works most of which completed in March 2018. This investment ensures we maintain the value of these assets. In addition and as noted above there was increased investment in 2017/18 to ensure we meet Health & Safety requirements which continues into 2018/19. Thereafter EBITDA (MRI) improves as a consequence of reduced expenditure on capitalised maintenance.

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>EBITDA MRI Percentage</b>	<b>63.2%</b>	<b>57.2%</b>	<b>31.3%</b>	<b>51.3%</b>	<b>155.0%</b>	<b>133.7%</b>	<b>143.4%</b>
<i>Per Housemark</i>							
Upper Quartile	265.3%	265.3%	265.3%	265.3%	265.3%	265.3%	265.3%
Median	216.4%	216.4%	216.4%	216.4%	216.4%	216.4%	216.4%
Lower Quartile	175.0%	175.0%	175.0%	175.0%	175.0%	175.0%	175.0%

We maintain a golden rule for our gearing (and interest cover) ratio to ensure Origin is comfortably able to meet its financing covenants imposed by external lenders. At 31 March 2018, Origin had a healthy gearing ratio for an organisation committed to delivering new social housing and this is demonstrated in the table below. For gearing, the golden rules states that Origin maintains a £10m buffer to in excess of all debt obligations for the next 12 months and £20m thereafter, and, for interest cover it states that Origin has headroom of 10% over its tightest covenant requirement. For all years both golden years are met.

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Gearing %</b>	<b>40.7%</b>	<b>41.6%</b>	<b>43.7%</b>	<b>46.9%</b>	<b>48.5%</b>	<b>49.3%</b>	<b>46.7%</b>
<i>Per Housemark</i>							
Upper Quartile	37.55%	37.55%	37.55%	37.55%	37.55%	37.55%	37.55%
Median	42.88%	42.88%	42.88%	42.88%	42.88%	42.88%	42.88%
Lower Quartile	56.16%	56.16%	56.16%	56.16%	56.16%	56.16%	56.16%

The gearing percentages for prior years have been restated to exclude the adjustments for the fair value of loans previously classified as other which under the amendments to FRS 102 are now classified as basic and are consequently now valued at amortised cost.

**Development – Capacity & Supply**

We completed the build of 58 homes during 2017/18, (82 completed in 2016/17), with a total cost of £28.2m. In the same year we generated a £1.525m surplus and secured just over £2m additional sales receipts from staircasing, which will be reinvested in our future development programme. We expect the level and structure of funding for new development in coming years to continue with a high reliance on borrowing due to low grant rates. We are delivering private sales across our programme to both cross subsidise our affordable programme and provide additional revenue. However, in recognition of the uncertainty surrounding the property market in London we have scaled back the proportion of private sales in our programme.

## 2017/18 VALUE FOR MONEY (VFM) SELF ASSESSMENT (CONTINUED)

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total social housing units developed or newly built acquired in-year	60	82	58	120	236	242	172
<b>New Social Housing supply delivered %</b>	<b>1.02%</b>	<b>1.39%</b>	<b>0.98%</b>	<b>1.98%</b>	<b>3.76%</b>	<b>3.71%</b>	<b>2.57%</b>
Upper Quartile	2.41%	2.41%	2.41%	2.41%	2.41%	2.41%	2.41%
Median	1.38%	1.38%	1.38%	1.38%	1.38%	1.38%	1.38%
Lower Quartile	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%	0.72%

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Total non-social housing units developed or newly built acquired in-year	0	25	0	0	108	89	54
<b>New Non Social Housing Supply Delivered %</b>	<b>0.00%</b>	<b>0.38%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.55%</b>	<b>1.24%</b>	<b>0.73%</b>
Upper Quartile	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%	4.07%
Median	0%	0%	0%	0%	0%	0%	0%
Lower Quartile	0%	0%	0%	0%	0%	0%	0%

Our current business plan allows capacity to deliver 1,021 units between April 2018 - March 2022 and the table below sets out how this will be achieved (excluding private sale units).

	Three years to 31 March 2018	% Funding	Three years to 31 March 2021	% Funding
<b>New Homes Completed</b>	<b>182</b>		<b>722</b>	
<b>Investment</b>	<b>£m</b>		<b>£m</b>	
New Homes	<b>49.5</b>		<b>197.7</b>	
<b>Source of Funding</b>				
Grant	2.4	5%	12.3	6%
Loans	28.2	57%	103.4	52%
	-----		-----	
	<b>30.6</b>		<b>115.7</b>	
	=====		=====	
Own Resource (funding)	<b>18.9</b>	38%	<b>81.9</b>	42%

Developing social housing continues to be challenging, but we are delivering truly affordable housing. In 2017/18, over 70% of units developed were for social rented housing. We continue to develop homes for private sale to cross-subsidise our social housing programme and in the last financial year we entered into two Joint Ventures to deliver a total of 188 units for private sale (Origin delivering 50% as part of Joint Venture), with a further 50 private sale units being delivered across our programme. We have focused the majority of our sales schemes in outer London zones, which should be less affected if the market slows down.

Going forward we will continue to develop rented housing, alongside a mix of intermediate rent, shared ownership, market rent and to a lesser extent private sale. Our current business plan up 2018-2022 will deliver 77% affordable housing (rent, intermediate rent and shared ownership), along with 23% market rent and sale. In light of the uncertainty surrounding the London property market we have reduced our focus on private sale units to mitigate against any severe fluctuations in the market.

We will continue to seek alternative funding arrangements so that we can maximise the provision of affordable homes, and in 2017/18 we secured two loans for our Joint Venture schemes at competitive rates from the GLA, as part of their Housing Zone funding.

**2017/18 VALUE FOR MONEY (VFM) SELF ASSESSMENT (CONTINUED)**

Our successful bid to the GLA under their Homes for Londoners 2016-21 programme secured a grant allocation of £7.25m to deliver 180 homes, 69 London affordable rented and 111 shared ownership. This year we also secured an additional £400k from the GLA for remodelling of an existing sheltered scheme to provide 24 flats for rent and £288k from the RSH to demolish an existing building to replace with an affordable scheme including eight new homes.

Due to shared ownership staircasing receipts we have an additional £2.83m of Recycled Capital Grant Funding to use in London and £327k to use in the RSH Eastern region to support our affordable housing programme.

We continue to achieve savings of around £250k per annum via the Connected Partnership, the framework arrangements for procuring consultant services at competitive fees, sharing key programme management staff and jointly procuring training and other services.

In 2018/19, we plan to:

- Acquire further S106 sites and land led opportunities to deliver the business plan.
- Identify disposal and development opportunities within our own stock – we are currently working on four opportunities that could deliver 86 new units, and potential profits of over £8m from disposals for reinvestment.
- Continue to manage and deliver our joint venture schemes in conjunction with our joint venture partner, Hill Residential Limited
- Explore opportunities to develop for market rent where appropriate.
- Explore opportunities for acting as developing and or managing agent for other landlords/Local Authorities.
- Optimise funding opportunities with the GLA and RSH as well as providers of private finance.

**Asset Management**

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Return on Capital Employed</b>	<b>2.98%</b>	<b>3.14%</b>	<b>2.43%</b>	<b>2.12%</b>	<b>3.24%</b>	<b>2.93%</b>	<b>3.18%</b>
Upper Quartile	4.86%	4.86%	4.86%	4.86%	4.86%	4.86%	4.86%
Median	4.22%	4.22%	4.22%	4.22%	4.22%	4.22%	4.22%
Lower Quartile	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%	3.30%

We have seen a fall in Return on Capital Employed in 2017-18 largely due to a rise in planned and routine maintenance expenditure coupled with a fall in gains on disposal of fixed assets. Over the coming three years we do not expect to reach the lower quartile benchmark due to high maintenance costs relating to health and safety expenditure. Furthermore, the location of our stock in high value areas depresses the return achieved compared to the book value of the properties.

A key component of deriving value from our property asset base is the provision of security for debt finance to enable us to invest in building new homes and improving our existing housing stock. During 2017/18, Origin invested significantly within its planned maintenance programmes in order to ensure our homes continue to meet regulatory standards, address matters arising from the stock condition surveys and improve the satisfaction of our residents. This investment is partially derived from asset disposals and the recycling of funds demonstrates Origin's commitment to the provision of high quality housing and maximising value.

Assessing our assets

We continue to invest in and improve our systems and the underlying data that informs our decision making around property investment and disposals so that we are able to focus our resources on the areas that provide the best return on investment.

The past year has seen a comprehensive review and upgrade of the Asset Matrix and the initiation of an upgrade to our Keystone asset management system. Origin uses data from these systems to assess the performance of the stock.

In 2017/18, we disposed of properties generating a profit of £3.6m. This receipt was in part used to help fund our development and regeneration programme to upgrade older estates

Reinvestment in existing stock

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Reinvestment</b>	<b>4.57%</b>	<b>3.95%</b>	<b>5.24%</b>	<b>5.58%</b>	<b>8.52%</b>	<b>6.33%</b>	<b>4.02%</b>
Upper Quartile	6.71%	6.71%	6.71%	6.71%	6.71%	6.71%	6.71%
Median	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%	5.63%
Lower Quartile	4.22%	4.22%	4.22%	4.22%	4.22%	4.22%	4.22%

**2017/18 VALUE FOR MONEY (VFM) SELF ASSESSMENT (CONTINUED)**

Origin's successful 'regenerating our estates' initiative continued to progress well, along with our component replacement programmes for windows and doors, kitchens and bathrooms and cyclical redecoration works.

While reinvestment in 2017-18 was below the sector average, upcoming scheme completions, particularly in relation to our Joint Ventures, will see a significant rise in reinvestment over the next three years.

The three year regeneration of the Sidney Estate has now almost completed and residents benefit from a number of enhancements including new roofs, windows, doors, kitchens and bathrooms as well as landscaping within the central courtyard.

2017/18 saw four additional estates at York Rise, Holsworthy Square, Russell Mansions and Kent House benefit from regeneration works including new roofs, windows, doors, kitchens and bathrooms.

**Procurement costs**

In 2017/18, the Origin successfully negotiated and implemented 12 competitive tenders with a total value of £5m that comprised seven non-OJEU tenders and five OJEU tenders. Furthermore, in 2017/18 Value for Money savings achieved across Origin amounted to £1.4m in addition to further savings of £520k achieved through implementing competitive and mini tenders from various Framework Agreements.

In 2018/19, the Procurement team expects to implement 11 tenders with a total value in excess of £6m and achieve further savings.

**Outcomes Delivered**

As noted above, surpluses generated are retained by the group to support ongoing investment in our social purpose. In 2017/18, Origin invested the equivalent of 1.29 times the cash generated from operations on the acquisition and construction of new housing, which was facilitated through greater efficiency and maximising income from sales. This is up from 0.78 in 2015/16.

Sales income increased this year, and this trend should continue in future years as we build more sales units to cross subsidise our programme increasing capacity.

We continue to explore opportunities to deliver resident employment and training from our development programme. We currently have two residents employed as full time apprentices, three more employed via our links to K10 and Kings Cross Construction (on non-Origin development sites) and a further eight placements available to the local community on other sites.

**Customer Service & Satisfaction**

We monitor resident satisfaction through a number of survey and engagement methods. From our customer feedback perception surveys we have prioritised three main areas of focus to improve our customer experience; customer communication, timely resolution of queries and improving our property maintenance services. These areas have been picked up in the customer service action plan and feed into the Business Priorities.

Overall customer satisfaction improved this year to 70% up from 65% two years ago. New initiatives include activities that support the resolution of resident enquiries at their first point of contact through improved access to customer and property data, and more comprehensive service information available to staff through a new CRM system.

Our Transformation programme is expected to improve this further in future years, and we have already seen improvements in satisfaction with keeping residents informed and resolving enquiries at the first point of contact. Our recent routine repair satisfaction survey for Gilmartin's our principal repairs contractor show satisfaction levels around 90%, falling numbers of complaints and improved satisfaction with resolution. We expect this to feed into improvements in overall satisfaction over the course of 2018/19

We have carried out engagement and consultation activities with our residents around how they access services, what improvements they would like to see and how they want us to communicate with them. The resulting customer insight will be used in the future to make best use of technology and buildings, enhancing our performance management and changing behaviours so we do the right thing first time.

In 2017/18 we have:

- Implemented a CRM for all resident contacts.
- Embedded and improved our First Contact Resolution rate from 62% to a high of 76%.
- Engaged with our residents to gain insight into how we can deliver improved Customer Service that meet their needs.
- Worked with our contractors to improve the quality of service our residents' experience.

**2017/18 VALUE FOR MONEY (VFM) SELF ASSESSMENT (CONTINUED)****Investment in the community - Social Return on investment**

Origin has a Social Investment Strategy which provides a stable annual investment into supporting the communities within which we operate, with measurable social benefits.

During 2017/18 we have:

- Increased the value of social value commitments received during the year from contractors
- Generated £167,699 in-kind through community development activities largely through volunteer hours contributed. This represents a wide range of activities delivered to our residents by other organisations as well as free use of buildings to deliver services.
- Leveraged a total of 2,962 volunteer hours to support delivery of our services. Our Digital Drop-In, run entirely by volunteers, delivered 229 training sessions to customers.
- Through our Financial Support team, we have secured £18.5k for residents in back-dated Housing Benefit and £7.3k in Discretionary Housing Payment awards; and secured £22.5k in advance rent payments.
- Supported 45 customers into work with an average sustainment rate of 92%.
- Developed our 2016 We Are Ageing Better project benefitting from various community based partnerships. The project has grown significantly and involved 389 older people in Camden and harnessed 300 volunteer hours between January - March 2018.
- Maximised the income from our Community Halls by streamlining the process and increasing bookings, generating £11,893 of income to fund the halls.

In 2018/19 we plan to:

- Review the key areas where customer engagement would add value and improve outcomes for customers.
- Develop a Neighbourhood Explorers Programme on our estates based on social investment priorities.
- Establish the criteria to apply for the new small grants pot and promote through the Community Development programme on our estates.
- Sign up to a Community Engagement Agreement with stakeholders detailing how outcomes will be demonstrated, and feedback captured from the teams.
- Develop a community engagement plan for Enfield Single Housing to deliver health and social activity programme to reduce ASB and reduce social cohesion.
- Target the Assessment and Support service to minimise anti-social behaviour and reduce arrears.

**Operating efficiencies**

The Total Social Housing cost per unit increased to £7.4k in 2017/18 largely due to increased capital maintenance, health and safety compliance and management costs. Our cost per unit is likely to remain high over the coming three to five years due to high planned maintenance costs and our ongoing investment in IT and systems development to enable the delivery of future savings and improved customer service. In addition the location of our stock in London according to analyses performed by the Social Housing Regulator results in Origin having to bear wage costs that are 20% above the national average, while our Care and Support activities further increase our costs. However, we consider expenditure in these areas key to our future success, so while our cost per unit is comparatively high we are confident it will directly benefit our residents.

Year	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
<b>Social Housing Cost Per Unit</b>	<b>£6,469.01</b>	<b>£6,613.87</b>	<b>£7,426.79</b>	<b>£6,987.33</b>	<b>£6,164.66</b>	<b>£5,894.06</b>	<b>£5,779.79</b>
Upper Quartile	£3,035.91	£3,035.91	£3,035.91	£3,035.91	£3,035.91	£3,035.91	£3,035.91
Median	£4,052.47	£4,052.47	£4,052.47	£4,052.47	£4,052.47	£4,052.47	£4,052.47
Lower Quartile	£5,213.50	£5,213.50	£5,213.50	£5,213.50	£5,213.50	£5,213.50	£5,213.50



**2017/18 VALUE FOR MONEY (VFM) SELF ASSESSMENT (CONTINUED)****Conclusion**

Our mission of 'Great Homes', 'Positive People' and 'Strong Communities' supported by strong corporate values engenders a focus on value for money in our day-to-day work and long term planning. We have a skilled Board which exercises strong oversight and scrutiny of our performance, which brings assurance around delivery of our Business Plan and our service vision of doing the right thing first time, every time. Our strong business health combined with our stringently stress tested business plan, and Fitch "A Stable" credit rating demonstrates that we are financially viable with resilience in our financial model.

This self-assessment identifies that improvements are needed in some areas. Our continued focus on value for money will drive us to achieve these improvements. In particular, improvement of our customer satisfaction ratings will be a key priority for the coming year and we are confident these will be achieved through our business transformation programme.



**Chris Trebilcock**  
**Company Secretary**

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**STRATEGIC REPORT FOR YEAR ENDED 31 MARCH 2018****Background activities**

The principal activities of Origin Housing Limited ("Origin") and the Group are to provide quality affordable homes and effective management services to meet the needs of customers and to build sustainable communities in the areas of North London and Hertfordshire in which we operate.

Origin is a dynamic and diverse organisation that owns and manages over 6,600 properties, including:

- general needs and affordable housing for rent, for households who are unable to rent or buy at open market rates;
- sheltered retirement accommodation for older people
- accommodation –based support for vulnerable people
- intermediate rented housing for key workers; and
- low-cost home ownership, primarily shared ownership where residents purchase a share in the equity of their homes and pay rent to the Association on the remainder.

As well as owning and managing these properties, Origin develops new affordable housing and through its Connected Partnership is one of the Associations selected by the GLA and Homes England as a development partner.

**Objectives and strategy**

The objectives and strategies are set out in a business plan which is reviewed annually and approved by the Board. The overarching goals are to:

- Remain committed to providing affordable housing in central London areas and a strong growing business focused on North London and Hertfordshire.
- Provide supported housing services to vulnerable Origin residents where these make a positive contribution to overheads; and to non-residents where these make a surplus.
- Continue with community investment that supports tenancy sustainment and strengthens the business.
- Continue to build as many new homes as we are able, taking account of the risks involved, and the availability of finance to fund the developments.
- Prioritise building homes for social and intermediate rent, but recognise the numbers will be limited by the profits we can generate from sale of existing assets and new built market sale housing.
- Consider mergers and acquisitions where they assist with delivery of our strategy.
- Make best use of our housing stock to meet housing needs in our areas of operation.
- Provide good quality housing services to all customers, flexing how this is delivered so it is appropriate for different customers.
- Invest in our systems to support efficient and effective service delivery.
- Continuously improve value for money.
- Recruit and retain talented people, ensuring staff turnover is at a level which is beneficial to the business

**Business model**

Our fundamental purpose is to use our assets and talent to provide housing solutions to those who could not otherwise afford a home without our help. Our business model is structured to facilitate our ability to undertake development and provide landlord services to support our social purpose. We aim to generate surpluses through our landlord activities and monitor this through monthly reporting of our core operating margin.

The profits we generate from market sale and private rent units as well as any surplus created from our social stock is reinvested for the development of sub-market rent and affordable properties in line with our social objectives.

Through our Community Development team we dedicate significant resources to local projects to address wider social issues within our neighbourhoods. Support is also provided for other challenges that directly impact our residents, for example changes to welfare reform, in particular, Universal Credit.

**Operating environment**

The environment in which Origin operates continues to be challenging particularly with the ongoing uncertainty surrounding BREXIT and what it will mean for the sector and the wider economy once the United Kingdom leaves the EU on 29 March 2019.

Origin believes that despite this uncertainty, the Group, with a financially robust business plan, is well placed to continue to develop more affordable homes and sustain growth while delivering the day-to-day services our residents need.

**STRATEGIC REPORT FOR YEAR ENDED 31 MARCH 2018 (CONTINUED)**

Over recent years we have focussed on understanding the possible impact of the Government's Welfare Reform and the introduction of Universal Credit. We have developed strategies and interventions to minimise the impact on our customers' ability to pay their rent and service charges and have put in place support programmes to help our customers to manage their money and maximise their income.

More broadly, Origins' policies, strategies and governance arrangements continue to evolve to ensure that key risks are identified and effectively managed and that the business has adequate financial headroom and operational capacity to absorb the impact of those risks.

**Performance highlights**

The financial results for Origin are set out on pages 24 to 67. The following tables and supporting commentary highlight key features of Origin's financial performance for the year to 31 March 2018.

Origin is pleased to report an operating surplus for the Group of £28.7m (2017: £36.1m) with retained reserves of £344.5m (2017: £329.1m).

	2018	2017
	£'000	£'000
<b>For the year ended 31 March</b>		
<b>Group Statement of Comprehensive Income (extract)</b>		
Turnover	56,060	59,329
Cost of sales	(2,916)	(7,757)
Operating costs	(36,730)	(32,681)
Gain on disposal of property, plant and equipment	3,558	5,673
Movement in fair value of investment properties	8,727	11,563
Operating surplus	<u>28,699</u>	<u>36,127</u>
Surplus before taxation	<u>15,331</u>	<u>23,345</u>

We remain financially robust with healthy gearing and interest cover ratios as at March 2018 both of which comfortably meet lender loan covenant requirements.

<u>Ratio</u>	<u>2018</u>	<u>2017</u>
Interest cover (operating surplus excluding depreciation and impairment, gains on disposal of property plant and equipment and movement in fair value of investment properties divided by net interest payable)	166%	187%
Gearing (net debt as a percentage of the net book value of social housing properties)	44%	42%
Liquidity (current assets divided by current liabilities)	174%	145%

During 2017-18, we completed 42 new social and affordable, and, 17 shared ownership units. In future years we are anticipating an increase in completions of new developments.

**Housing properties**

At 31 March 2018 Origin owned and managed 6,648 housing properties, representing an increase of 60 from 2017. The properties included in the Statement of Financial Position at a cost (after depreciation) of £703.9m (2017: £697.4m).

**STRATEGIC REPORT FOR YEAR ENDED 31 MARCH 2018 (CONTINUED)**

For the year ended 31 March Group Statement of Financial Position (extract)	2018 £'000	2017 £'000
Net book value of social housing properties	703,885	697,418
Total loans	327,081	309,957
Cash and cash equivalents	18,091	17,884

The investment in new and existing housing properties this year was funded through a mixture of social housing grant, loan finance, working capital and the proceeds from the sale of assets.

**Treasury**

Origin carries out a regular review of cash flow risk as part of its risk management procedures. The key elements of cash flow risk are the availability of loan finance and property sales receipts. The Board is confident that the risks are appropriately monitored and controlled. Treasury management for Origin is performed by an in-house treasury function whose primary responsibility is administration of liquidity and risk management. Origin also uses the services of professional treasury advisors to provide independent advice and support when required.

The principal cash outflows of the Group are for the delivery of development activities and interest payments on loans. During the year, the Group paid £12.2m (2017: £19.7m) to acquire and develop housing properties and £15.4m (2017: £14.8m) in loan interest payments.

For the year ended 31 March 2018, the Group had total loan facilities of £400.3m with £327.1m drawn down. Approximately 78% of the loan portfolio is subject to fixed rate interest arrangements. The undrawn debt facility of £73.2m coupled with cash reserves at year end provides the necessary funding for the coming 12 months and exceeds our contractual commitments. Origin operates a policy of not entering into contractual commitments in excess of its available undrawn facilities and seeks to maintain prudent headroom over all its financial covenants.

**Pension costs**

Origin participates in the Social Housing Pension Scheme ('SHPS'). The scheme is funded, and is contracted out of the state scheme. SHPS is a multi-employer defined benefit scheme and is unable to separate the assets and liabilities attributable to each employer. Consequently pension contributions for entitlements earned in the year are accounted for on a 'cash basis'. The triennial valuation conducted as at 30 September 2014 resulted in an increase in the deficit. The consequent increase in the past service deficit liability was reflected as a charge of £1.7m in 2016. A further triennial valuation was conducted as at 30 September 2017 but at the date of signing these accounts the results of the valuation and the impact on the association are not known.

All eligible new starters are automatically enrolled into the Pension scheme in line with auto-enrolment requirements. Afterwards, they can opt out of the scheme at their discretion.

**Future Prospects**

The Board has a reasonable expectation that Origin has adequate resources to continue operations for the foreseeable future and for this reason the going concern basis continues to be adopted in preparing the financial statements.

There have been no significant events between the year end and the date of approval of these financial statements which would require disclosure in them.

**Principal risks and uncertainties**

The Origin Board is ultimately responsible for risk management and has delegated some of its role in ensuring that risks are identified monitored and suitably managed to the Audit & Risk Committee.

The Executive team have operational responsibility for the identification, assessment, monitoring and management of risk and are answerable to the Audit and Risk Committee and ultimately to the Board for the effective fulfilment of these responsibilities.

Risks are recorded in risk registers which are maintained at both a strategic and operational level.

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**STRATEGIC REPORT FOR YEAR ENDED 31 MARCH 2018 (CONTINUED)**

Senior Management Team (SMT) members are responsible for the maintenance of Operational Risk Registers within their areas of operation with the Executive member to whom they report having a monitoring role and overall responsibility.

The Strategic Risk Register is maintained by the Executive team and reviewed at each meeting of the Audit and Risk Committee and at least twice a year by the Board.

The Strategic Risk Register identifies the key risks to the delivery of our business strategy and the activities we have been taking to mitigate them and the residual risk after mitigation. These risks change as the environment we operate in changes but our 'live' risk management ensures that we report our most up to date strategic risk profile to our Board.

Our risk management strategy includes a risk appetite statement, sets out the risks, measures and requirements agreed by Origins' Board. There are quantitative measures (relating mainly to development, financial and investment boundaries) and qualitative measures (relating to the degree of risk taking and innovation tolerated by the Board in relation to our key business objectives).

The core risks identified are:

1. We lose sight of our purpose and vision
2. We fail to comply with law and/or regulations
3. We fail to deliver projected income
4. We fail to control expenditure
5. We fail to deliver service quality to the expected level
6. We fail to deliver on growth targets
7. We have insufficient funds available to deliver strategy
8. We fail to retain and recruit the right calibre of staff
9. IT infrastructure and/or data security is compromised
10. We fail to protect the assets of the business

**Governance**

The Board has ultimate responsibility for the governance and performance of Origin. The Board's central role is to determine strategic direction and policies, to establish and oversee control and risk management frameworks that will ensure Origin achieves its aims and objectives.

The Board delegates its responsibility for the day-to-day management and leadership of Origin to the Chief Executive, supported by the Executive Team. The Board also delegates certain oversight functions to committees and subsidiary Boards within the corporate structure. The parameters of this authority are set out within the set terms of reference which are reviewed by the Board annually. Origin has four committees and their responsibilities are as follows:

**Governance Committee**

- Ensures effective governance framework
- Approves Board Members & Executive Team remuneration & payments
- Ensures appropriate skills
- Recommends appointment and removal of Board members
- Executive and Board succession planning
- Has oversight of the People strategy

**Investment Committee**

- Monitors treasury and development activities
- Reviews and approves / recommends investment proposals
- Approval of new debt funding
- Monitors asset management and stock investment activities

**Audit & Risk Committee**

- Assurance that controls are in place
- Advises Board on effectiveness of internal controls framework
- Approves external audit and internal audit plans
- Reviews the fraud register
- Oversees business continuity & disaster planning
- Oversees Health & Safety Risk Management

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**STRATEGIC REPORT FOR YEAR ENDED 31 MARCH 2018 (CONTINUED)****Operations Committee**

- Assurance that statutory and regulatory requirements are met
- Monitor performance of services to customers
- Oversees major service transformation and business change proposals
- Ensure Stakeholder feedback is listened and responded to accordingly
- Monitors the delivery of landlord compliances with Health and safety legislation and regulation achieved through the Health and Safety Oversight Group responsible for ensuring the application of best practice in landlord health and safety compliance

During the year each committee reported regularly to the Board on the discharge of its function. Terms of Reference for each Committee were reviewed regularly throughout the year by the Board to ensure that they remained fit for purpose.

The subsidiaries of the Association are listed in note 14 of the financial statements. All subsidiaries are directly wholly owned by the Association. The Board of each subsidiary are nominated by the Association and have delegated the same powers to the committees of the Association Board as has the Board of the Association.

**Approval**

This Strategic Report was approved on behalf of the Board on 5 September 2018



**Steve White**  
Chair

**STATEMENT OF RESPONSIBILITIES OF THE BOARD****Statement of Board's responsibilities in respect of the Board's report and the financial statements**

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

Co-operative and Community Benefit Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Association and of their income and expenditure for that period.

In preparing these financial statements, the Board is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- assess the Group and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless it either intends to liquidate the Group and Association or to cease operations, or has no realistic alternative but to do so.

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that its 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 responsible for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Group and Association and to prevent and detect fraud and other irregularities.

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

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIGIN HOUSING LIMITED****Opinion**

We have audited the financial statements of Origin Housing Limited ("the Group and Association") for the year ended 31 March 2018 which comprise the Group and Association Statements of Comprehensive Income, the Group and Association Balance Sheets, the Group Statement of Cash Flows, the Group and Association Statement of Changes in Reserves and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view, in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*, of the state of affairs of the Group and Association as at 31 March 2018 and of their income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group and Association in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

**Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

**Other information**

The Group and Association's Board is responsible for the other information, which comprises of the Report of the Board and the Strategic Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

We have nothing to report in these respects.

**Matters on which we are required to report by exception**

Under the Co-operative and Community Benefit Societies Act 2014 we are required to report to you if, in our opinion:

- the Group and Association have not kept proper books of account; or
- the Group and Association have not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Group and Association's books of account; or
- we have not received all the information and explanations we need for our audit.

We have nothing to report in these respects.

**Board's responsibilities**

As more fully explained in their statement set out on page 22, the Group and Association's Board is responsible for the preparation of financial statements which give a true and fair view; such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless it either intends to liquidate the Group and Association or to cease operations, or has no realistic alternative but to do so.

**Auditor's responsibilities**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

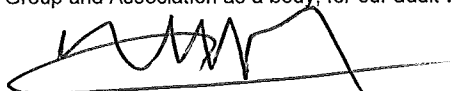
A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).



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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORIGIN HOUSING LIMITED (CONTINUED)****The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Group and Association in accordance with section 87 of the Co-operative and Community Benefit Societies Act 2014 and section 128 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Group and Association those matters we are required to state to it in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and Association as a body, for our audit work, for this report, or for the opinions we have formed.



Harry Mears  
for and on behalf of KPMG LLP, Statutory Auditor  
**Chartered Accountants**  
15 Canada Square,  
Canary Wharf  
London  
E14 5GL

26 SEPTEMBER 2018

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**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 March 2018


		2018	Restated 2017
	Note	£'000	£'000
Turnover	2	56,060	59,329
Cost of sales	2	(2,916)	(7,757)
Operating expenditure	2	(36,730)	(32,681)
Gain on disposal of property, plant and equipment	2 & 5	3,558	5,673
Movement in fair value of investment properties	2 & 12	8,727	11,563
<b>Operating surplus</b>	2	<u>28,699</u>	<u>36,127</u>
Interest receivable	6	110	44
Interest and financing costs	7	<u>(13,478)</u>	<u>(12,826)</u>
<b>Surplus before taxation</b>		15,331	23,345
Taxation	10	51	(48)
<b>Surplus &amp; total comprehensive income for the year</b>		<u><u>15,382</u></u>	<u><u>23,297</u></u>

Turnover and operating surplus for the current and prior years relate to continuing activities.

The financial statements were approved and authorised for issue by the Board on 5 September 2018 and signed on its behalf by:

Chair 

  
Board Member

  
Secretary

## ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018


	Note	2018 £'000	2017 £'000
Turnover	2	50,944	50,581
Cost of sales	2	(1,563)	(3,141)
Operating expenditure	2	(35,484)	(31,696)
Gain on disposal of property, plant and equipment	2 & 5	3,558	5,673
Movement in fair value of investment properties	2 & 12	5,281	10,039
<b>Operating surplus</b>	2	<u>22,736</u>	<u>31,456</u>
Interest receivable	6	780	581
Interest and financing costs	7	(12,591)	(12,045)
Donation received		7,922	3,008
Movement in fair value of investments	14	(7,683)	-
<b>Surplus before taxation</b>		<u>11,164</u>	<u>23,000</u>
Taxation	10	-	-
<b>Surplus &amp; total comprehensive income for the year</b>		<u><u>11,164</u></u>	<u><u>23,000</u></u>

Turnover and operating surplus for the current and prior years relate to continuing activities.

The financial statements were approved and authorised for issue by the Board on 5 September 2018 and signed on its behalf by:

Chair 

  
Board Member

  
Secretary

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

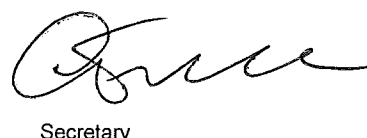
As at 31 March 2018

		31 March 2018 £'000	Restated 31 March 2017 £'000
<b>Fixed Assets</b>			
<b>Property Plant and Equipment</b>			
Housing properties	11	703,885	697,418
Other tangible fixed assets	13	2,819	2,829
		<u>706,704</u>	<u>700,247</u>
<b>Investments</b>			
Commercial properties	12	51,283	47,795
Market rent properties	12	27,269	15,350
Investment in joint ventures	14	6,568	-
Homebuy loans		2,722	2,778
		<u>87,842</u>	<u>65,923</u>
<b>Current assets</b>			
Properties held for sale	15	18,182	27,289
Trade and other debtors	16	25,810	6,610
Cash and cash equivalents	25	18,091	17,884
		<u>62,083</u>	<u>51,783</u>
<b>Creditors: amounts falling due within one year</b>	17	(34,983)	(35,749)
<b>Net current assets</b>		<u>27,100</u>	<u>16,034</u>
<b>Total assets less current liabilities</b>		<u>821,646</u>	<u>782,204</u>
<b>Creditors: amounts falling due after more than one year</b>			
Loans	18	(317,291)	(292,689)
Deferred grant & other capital grant	20	(155,164)	(155,570)
<b>Provisions for liabilities</b>			
Pension Fund Liability	8	(4,171)	(4,813)
Other provisions for liabilities and charges	22	(506)	-
<b>Net assets</b>		<u>344,514</u>	<u>329,132</u>
<b>Capital and reserves</b>			
Non-equity share capital	23	-	-
Revaluation reserve		111,520	111,510
Revenue reserve	32	232,994	217,622
		<u>344,514</u>	<u>329,132</u>

The financial statements were approved and authorised for issue by the Board on 5 September 2018 and signed on its behalf by:

Chair 

Board Member 

Secretary 

## ASSOCIATION STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Note	31 March 2018 £'000	31 March 2017 £'000
<b>Fixed Assets</b>			
<b>Property Plant and Equipment</b>			
Housing properties	11	639,561	622,537
Other tangible fixed assets	13	2,819	2,829
		<u>642,380</u>	<u>625,366</u>
<b>Investments</b>			
Commercial properties	12	42,993	40,305
Market rent properties	12	23,543	14,438
Investment in subsidiaries and associated undertakings	14	10,018	14,100
Homebuy loans		2,722	2,778
		<u>79,276</u>	<u>71,621</u>
<b>Current assets</b>			
Properties held for sale	15	974	6,506
Trade and other debtors	16	32,216	15,737
Cash and cash equivalents		16,414	15,533
		<u>49,604</u>	<u>37,776</u>
<b>Creditors: amounts falling due within one year</b>	17	(35,618)	(34,005)
		<u>13,986</u>	<u>3,771</u>
<b>Net current assets</b>			
		<u>735,642</u>	<u>700,758</u>
<b>Total assets less current liabilities</b>			
<b>Creditors: amounts falling due after more than one year</b>			
Loans	18	(278,152)	(253,386)
Deferred grant & other capital grant	20	(150,935)	(151,824)
<b>Provisions for liabilities</b>			
Pension Fund Liability	8	(4,171)	(4,813)
Other provisions for liabilities and charges	22	(506)	-
		<u>301,878</u>	<u>290,735</u>
<b>Net assets</b>			
<b>Capital and reserves</b>			
Non-equity share capital	23	-	-
Revaluation reserve		78,448	78,408
Revenue reserve		223,430	212,327
		<u>301,878</u>	<u>290,735</u>

The financial statements were approved and authorised for issue by the Board on 5 September 2018 and signed on its behalf by:

Chair 

  
Board Member

  
Secretary

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2018

	2018	Restated 2017
	£'000	£'000
<b>Cashflow from operating activities</b>		
Surplus for the year	28,699	36,127
Tax on surplus on ordinary activities	51	(48)
Depreciation	5,835	4,757
Impairment	-	(190)
Amortisation	(1,858)	(1,797)
Gain on disposal of property, plant and equipment	(3,558)	(5,673)
Fair value adjustment for investment properties	(8,727)	(11,563)
(Increase)/Decrease in current assets properties for sale	9,107	(5,618)
(Increase)/Decrease in trade and other debtors	(18,798)	(1,086)
Increase in trade and other creditors	(516)	3,686
(Decrease)/Increase in provisions	(312)	(581)
<b>Net cash generated from operating activities</b>	<u>9,923</u>	<u>18,014</u>
<b>Cash flow from investing activities</b>		
Proceeds from sale of housing properties	6,292	10,284
Payments to acquire and develop housing properties	(12,155)	(19,665)
Payments to acquire other fixed assets	(644)	(1,011)
Payments to acquire and develop investment properties	(6,779)	(5,000)
Capital grants received	1,050	682
<b>Net cash from investing activities</b>	<u>(12,236)</u>	<u>(14,710)</u>
<b>Cash flow from financing activities</b>		
Interest received	110	44
Interest paid	(15,362)	(14,834)
Loans received	31,833	10,594
Loans repaid	(7,493)	(7,493)
Investment in joint ventures	(6,568)	-
<b>Net cash from financing activities</b>	<u>2,520</u>	<u>(11,689)</u>
<b>(Decrease)/ increase in cash</b>	<u>207</u>	<u>(8,385)</u>
Cash and cash equivalents at the beginning of the year	17,884	26,269
Cash and cash equivalents at the end of the year'	<u><u>18,091</u></u>	<u><u>17,884</u></u>

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**CONSOLIDATED STATEMENT OF CHANGES IN RESERVES**

For the year ended 31 March 2018

Group 2018	Note	Revaluation reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at 1 April 2017</b>	32	111,510	217,622	329,132
Surplus for the financial year		-	15,382	15,382
		<hr/> 111,510	<hr/> 233,004	<hr/> 344,514
Reserve Transfers:				
Transfer from revaluation reserve to revenue reserve		10	(10)	-
<b>Balance at 31 March 2018</b>		<hr/> 111,520	<hr/> 232,994	<hr/> 344,514
<hr/>				
Group 2017		Revaluation reserve £'000	Revenue reserve £'000	Total £'000
<b>Balance at 1 April 2016 (Restated)</b>	32	111,400	194,435	305,835
Surplus for the financial year (restated)	32	-	23,297	23,297
		<hr/> 111,400	<hr/> 217,732	<hr/> 329,132
Reserve Transfers:				
Transfer from revaluation reserve to revenue reserve		110	(110)	-
<b>Balance at 31 March 2017 (restated)</b>	32	<hr/> 111,510	<hr/> 217,622	<hr/> 329,132
<hr/>				

## ASSOCIATION STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2018

Association 2018	Revaluation reserve	Revenue reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2017	78,408	212,327	290,735
Surplus for the financial year	-	11,164	11,164
	78,408	223,491	301,899
Reserve Transfers:			
Transfer from revaluation reserve to revenue reserve	40	(40)	-
Transfer reserve to subsidiary	-	(21)	(21)
Balance at 31 March 2018	78,448	223,430	301,878
Association 2017	Revaluation reserve	Revenue reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2016	78,269	189,466	267,735
Surplus for the financial year	-	23,000	23,000
	78,269	212,466	290,735
Reserve Transfers:			
Transfer from revaluation reserve to revenue reserve	139	(139)	-
Balance at 31 March 2017	78,408	212,327	290,735



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**NOTES TO THE FINANCIAL STATEMENTS****1 Accounting policies****Legal status**

Origin Housing Limited is incorporated as a charitable social landlord under the Co-operative and Community Benefit Societies Act 2014, No. 10008R.

**Basis of accounting**

The financial statements of the Group and the Association have been prepared in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice - UK GAAP), which for Origin Housing Limited includes Cooperative and Community Benefit Societies Act 2014 (and related Group accounts regulations) includes: FRS 102 "The Financial Reporting Standards applicable in the UK and the Republic of Ireland", the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by Registered Social Housing Providers" 2014 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Association has elected to adopt the amendments to FRS102 published by the Financial Reporting Council in December 2017. The impact of the amendments to FRS102 are summarised in Note 32. As the disposal of tangible fixed assets and investment properties are part of the normal operating activities of the Association and Group, these amounts have been reclassified in the prior year such that profits or losses arising on these transactions are included within operating surplus. There have been no changes in the surplus in the year arising from this reclassification.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

The financial statements of the Group and the Association have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future, being a period of at least twelve months after the date on which the financial statements are signed.

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group and the parent company would be identical;
- No cash flow statement has been presented for the parent company;
- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

The following principal accounting policies have been applied:

**Basis of consolidation**

The consolidated financial statements include the results of Origin Housing Limited and all its subsidiaries at 31 March. All intra-Group balances, transactions, income and expenses are eliminated in full on consolidation. The results of subsidiary undertakings acquired or disposed of during the period are included or excluded from the income statement from the effective date of acquisition or disposal.

**Turnover and revenue**

Turnover comprises rental income receivable in the year, income from sales of first tranche shared ownership sales and outright sales (whenever applicable), other services included at the invoiced value (excluding Value Added Tax) of goods and services supplied in the year and revenue grants receivable in the year.

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

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1 Accounting policies (continued)**

Deferred balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the Group can control their reversal and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax.

**Value added tax**

The Group charges value added tax ("VAT") on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset respectively.

**Interest payable**

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development if it represents either:

- a) interest on borrowings specifically financing the development programme after deduction of interest on Social Housing Grant received in advance; or
- b) interest on borrowings of the Group as a whole after deduction of interest on Social Housing Grant received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the statement of comprehensive income in the year.

**Derivatives**

The Group uses interest rate swaps to reduce its exposure to future increases in the interest rates on floating rate loans. The notional principal is not reflected in the Group's balance sheet. Payments made under swaps are accrued over the payment period on a straight-line basis and adjusted against interest payable on the loans.

**Pensions**

The Group contributes to a defined benefit final salary pension for staff that were in post before 1 April 2007, and to a career average earnings scheme for other new staff who were in post and elected to join the scheme by 30 September 2010. From these dates the schemes were closed to new members.

Staff who were not members of either scheme at 30 September 2010 could elect to join a defined contribution scheme to which the Group contributes. From 1 February 2014 all qualifying staff not already a member of the defined contribution scheme, and new starters are automatically enrolled into the scheme as set out by legislation.

Contributions to the Group's pension schemes in respect of pension entitlements earned in the current year for the defined benefits scheme and all contributions to the defined contributions scheme are charged to the statement of comprehensive income in the year in which they become payable.

The Group participates in the Social Housing Pension Scheme ("SHPS") multi-employer defined benefit scheme. The scheme's actuary has advised that it is not possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The charge to the statement of comprehensive income represents the employer contribution payable to the scheme for the accounting period. Contributions payable under a funding agreement for past deficits are recognised as a liability in the Statement of Financial Position at the present value of the expected future cash flows for which there is a contractual obligation.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1 Accounting policies (continued)****Employee benefits**

A liability is recognised for all employee benefits to which employees have become entitled as a result of their service during the reporting period. This includes any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods, measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date

**Housing properties**

Housing properties are principally properties rented to provide social housing and are not held to earn commercial rentals or for capital appreciation.

Housing properties constructed or acquired (including land) on the open market since the date of transition to FRS 102 are stated at cost less depreciation and impairment (where applicable).

The cost of housing properties includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements. Major components of properties are treated as separate assets and components additions are described as works to existing properties.

Mixed developments are held within properties, plant and equipment (PPE) and accounted for at cost less depreciation. Commercial elements of mixed developments are held as investment properties.

Housing properties in the course of construction, excluding the estimated cost of the element of shared ownership properties expected to be sold in first tranche, are included in PPE and held at cost less any impairment, and are transferred to completed properties when ready for letting.

The sale of housing properties are part of the normal operating activities of the business and consequently the profits and losses on these transactions are included in the operating surplus of the Association and Group.

**Deemed cost on transition to FRS 102**

On transition to FRS 102 the Group took the option of carrying out a one-off valuation exercise of selected items of housing properties and using that amount as deemed cost. To determine the deemed cost at 1st April 2014, the Group engaged independent valuation specialist Jones Lang Lasalle Ltd to value the housing properties on an EUV-SH basis. Housing properties have subsequently been measured at cost less depreciation.

Any difference between historical cost depreciation and depreciation calculated on deemed cost is transferred between the revaluation reserve and income and expenditure reserve.

**Shared ownership and staircasing**

Under shared ownership arrangements, the Group disposes of a long lease of shared ownership housing units to persons who occupy them, at a premium equal to between 25% and 75% of the open market value (the 'first tranche'). The occupier has the right to purchase further proportions at the current valuation at that time up to 100% ('staircasing').

A shared ownership property comprises two assets: that to be disposed of in the first tranche sale, which is recorded as a current asset; and that retained by Group, which is recorded as a fixed asset under housing properties.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
**1 Accounting policies (continued)****Depreciation of housing properties**

Freehold land and the fixed asset element of shared ownership properties are not depreciated. Buildings are depreciated over their estimated useful economic life of 100 years. Major components of buildings are treated as separable assets and depreciated over their estimated useful economic lives at the following rates:

Roof, doors and windows	40	years
Kitchens and bathrooms	25	years
Boilers and heating equipment, electrical, lifts	20	years

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

**Depreciation of other tangible fixed assets**

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

Furniture, fixtures and fittings	15	years
Computers and office equipment	4-7	years

**Impairment**

Housing properties are assessed for indicators of impairment at each balances sheet date. Where indicators are identified, then a detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which the impairment is indicated to their recoverable amounts. The impairment loss must be charge to the Statement of Comprehensive Income as expenditure and disclosed as a separate line in operating expenditure where it is considered to be material.

Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

**Leased assets**

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

**Investment properties**

Investment properties are held to earn commercial rent and/or for capital appreciation. Such properties include properties held for residential market rent and commercial properties.

Investment properties are measured at cost on initial recognition and subsequently at fair value at the balance sheet date, with changes in fair value recognised in the income and expenditure.

Fair value is determined annually by appropriately qualified external valuers and is derived from current market rents and investment property yields for comparable properties, adjusted if necessary for any differences in the nature, location or condition of the specific asset.

Commercial properties are stated at market value. The rolling valuation method has been adopted for valuations.

Market value is defined as the estimated amount for which the property should exchange on the valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted 'knowledgably, prudently and without compulsion'.

The sale of investment properties are part of the normal operating activities of the business and consequently the profits and losses on these transactions are included in the operating surplus of the Association and Group.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1 Accounting policies (continued)****Social Housing Grant**

Social Housing Grant ('SHG') is receivable from the Homes England formerly the Homes and Communities Agency ('HCA') and the Greater London Authority ('GLA').

Grants received in relation to assets that are presented at deemed cost at the date of transition have been accounted for using the performance model as required by Housing SORP 2014. In applying this model, such grant has been presented as if it were originally recognised as income within the Statement of Comprehensive Income in the year it was receivable and is therefore included within brought forward reserves.

Grant received since the transition date in relation to newly acquired or existing housing properties is accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. Grant is carried as deferred income in the balance sheet and released to the income and expenditure account on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life (UEL) of the housing property structure has been selected (average UEL has been estimated as 88 years, which also took into account the components in coming up with this figure as permitted by the SORP).

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as income within the income and expenditure account.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

**Recycled Capital Grant Fund**

On the occurrence of certain relevant events, primarily the sale of dwellings, Homes England and GLA can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Group adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the Homes England or GLA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

**Homebuy loans and grants**

Under these arrangements the Association receives Social Housing Grant representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings.

Grants received by the Group under these arrangements are recognised as a liability in full until the loan is redeemed and the grant is transferred to the recycled capital grant fund.

In the event that the property is sold on, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and to the extent the proceeds permit. The Group is able to retain any surplus proceeds less sale costs attributable to the equivalent loan percentage share of the value of the property. If there is a fall in the value of the property the shortfall of the proceeds is offset against the recycled grant. There are no circumstances in which the Group will suffer any capital loss.

**Other grant**

Other grants are receivable from local authorities and other organisations. Such grants are recognised using the performance model in accordance with Section 34 of FRS 102.

- Where the grant does not impose specific future performance-related conditions, it is recognised as revenue when the grant proceeds are received or receivable.
- Where the grant does impose specific future performance-related conditions. It is recognised only when the performance-related condition are met.
- Where the grant is received before the revenue recognition criteria are satisfied, it is recognised as a liability.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1 Accounting policies (continued)****Properties for sale**

Properties for outright sale and shared ownership first tranche developments are valued at the lower of cost and net realisable value, regardless of whether they are completed or still under construction. Cost comprises materials, direct labour, direct development overheads and attributable interest on borrowings. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

**Current asset investments**

Current asset investments are readily disposable liquid resources stated at market value. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity or by giving notice of more than one working day.

**Joint venture investments**

Investment in joint venture partnerships are valued at cost.

**Reserves**

The Group establishes restricted reserves for specific purposes where their use is subject to external restrictions and designated reserves where reserves are earmarked for a particular purpose.

**Revaluation reserve**

The difference between the EUV of housing properties and the historical cost carrying value is credited to the revaluation reserve.

**Deferred financing costs**

Costs of financing are capitalised and amortised over the life of the loan.

**Financial instruments**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

All loans, investments and short term deposits held are classified as basic financial instruments in accordance with FRS 102. The Association has elected to adopt the amendments to FRS102 published by the Financial Reporting Council in December 2017, in applying the amendments to FRS102 certain loans have been reclassified as "basic" financial instruments and are valued at amortised cost rather than fair value.

**Financial liabilities and equity**

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

**Cash and cash equivalents**

Cash and cash equivalents in the Group's Consolidated Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****1 Accounting policies (continued)****Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the association's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The association has considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The association has also considered impairment based on their assumptions to define cash or asset generating units. No impairment triggers have been identified for the year ended 31 March 2018.
- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, the association then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the association's best estimate of sales value based on economic conditions within the area of development.
- whether leases entered into by the association, either as a lessor or a lessee are operating or lease or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis. There were no additional assets recognised as Property, Plant and Equipment in the association's balance sheet.
- the appropriate allocation of costs for mixed tenure developments, and furthermore the allocation of costs relating to shared ownership between current and fixed assets.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

Other key sources of estimation and uncertainty

- Tangible fixed assets (see note 11 and 12)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as wear and tear, decay, and casualty (e.g. fire, flood) are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. Key inputs into the valuations were:

- o Capitalisation rate market rented properties: 7.75%
- o Capitalisation rate commercial properties: 4.0% - 11.0%, with a weighted average of 5.87%

- Rental and other trade receivables (debtors) (see note 16)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus

	Note	Group 2018			
		Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>		45,808	-	(31,761)	14,047
<b>Other social housing activities</b>					
Shared ownership first tranche sales		2,388	(1,563)	(278)	547
Community development		161	-	(334)	(173)
Charges for support services		1,609	-	(1,477)	132
Development activities		70	-	(342)	(272)
		4,228	(1,563)	(2,431)	234
<b>Non-social housing activities</b>					
Properties for outright sale		1,441	(1,353)	(213)	(125)
Investment property lettings		3,453	-	(991)	2,462
Leasehold		834	-	(1,065)	(231)
Home improvement agency		273	-	(236)	37
Other (non-housing)		23	-	(33)	(10)
		6,024	(1,353)	(2,538)	2,133
		56,060	(2,916)	(36,730)	16,414
Gain/(loss) on disposal of property, plant and equipment	5	-	-	-	3,558
Movement in fair value of investment properties	12	-	-	-	8,727
		56,060	(2,916)	(36,730)	28,699



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus

	Group 2017			
	Turnover	Cost of sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000
<b>Social housing lettings</b>	44,677	-	(28,163)	16,514
<b>Other social housing activities</b>				
Shared ownership first tranche sales	3,330	(2,577)	(250)	503
Community development	110	-	(314)	(204)
Charges for support services	1,664	-	(1,452)	212
Development activities	27	-	(247)	(220)
	5,131	(2,577)	(2,263)	291
<b>Non-social housing activities</b>				
Properties for outright sale	5,585	(5,180)	(124)	281
Investment property lettings	2,777	-	(773)	2,004
Leasehold	885	-	(1,091)	(206)
Home improvement agency	268	-	(255)	13
Other (non-housing)	6	-	(12)	(6)
	9,521	(5,180)	(2,255)	2,086
	59,329	(7,757)	(32,681)	18,891
Gain/(loss) on disposal of property, plant and equipment	-	-	-	5,673
Movement in fair value of investment properties	-	-	-	11,563
	59,329	(7,757)	(32,681)	36,127

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus

	Association 2018			
	Turnover	Cost of sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000
<b>Social housing lettings</b>	42,784	-	(30,837)	11,947
<b>Other social housing activities</b>				
Shared ownership first tranche sales	2,388	(1,563)	(278)	547
Community development	161		(334)	(173)
Charges for support services	1,590		(1,468)	122
Development activities	70		(342)	(272)
	4,209	(1,563)	(2,422)	224
<b>Non-social housing activities</b>				
Investment property lettings	2,821		(924)	1,897
Leasehold	834		(1,065)	(231)
Home improvement agency	273		(236)	37
Other (non-housing)	23			23
	3,951	-	(2,225)	1,726
	50,944	(1,563)	(35,484)	13,897
Gain on disposal of property, plant and equipment	-	-	-	3,558
Movement in fair value of investment properties	-	-	-	5,281
	50,944	(1,563)	(35,484)	22,736

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus

	Association 2017 restated			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>	41,815	-	(27,415)	14,400
<b>Other social housing activities</b>				
Shared ownership first tranche sales	1,549	(1,141)	(242)	166
Community development	110	-	(314)	(204)
Charges for support services	1,651	-	(1,451)	200
Development activities	22	-	(244)	(222)
	3,332	(1,141)	(2,251)	(60)
<b>Non-social housing activities</b>				
Properties for outright sale	2,000	(2,000)	-	-
Investment property lettings	2,275	-	(685)	1,590
Leasehold	885	-	(1,090)	(205)
Home improvement agency	268	-	(255)	13
Other (non-housing)	6	-	-	6
	5,434	(2,000)	(2,030)	1,404
	50,581	(3,141)	(31,696)	15,744
Gain on disposal of property, plant and equipment	-	-	-	5,673
Movement in fair value of investment properties	-	-	-	10,039
	50,581	(3,141)	(31,696)	31,456

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings	General needs housing		Supported housing & housing for older people		Key worker / Intermediate housing		Shared ownership		2018		2017	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Total	£'000	Total	£'000
Rent receivable net of identifiable service charges	22,545	3,959	6,311	1,933	34,748	34,748	34,748	34,748	34,748	34,748	34,748	34,748
Service charge income	2,343	2,621	304	660	5,928	5,928	5,928	5,928	5,928	5,928	5,928	5,043
<b>Net rental income</b>	<b>24,888</b>	<b>6,580</b>	<b>6,615</b>	<b>2,593</b>	<b>40,676</b>	<b>40,676</b>	<b>40,676</b>	<b>40,676</b>	<b>40,676</b>	<b>40,676</b>	<b>40,676</b>	<b>39,614</b>
Other income	783	994	1,485	12	3,274	3,274	3,274	3,274	3,274	3,274	3,274	3,266
Amortisation of housing grant	1,223	270	267	98	1,858	1,858	1,858	1,858	1,858	1,858	1,858	1,797
<b>Turnover from social housing lettings</b>	<b>26,894</b>	<b>7,844</b>	<b>8,367</b>	<b>2,703</b>	<b>45,808</b>	<b>45,808</b>	<b>45,808</b>	<b>45,808</b>	<b>45,808</b>	<b>45,808</b>	<b>45,808</b>	<b>44,677</b>
Management	(3,049)	(780)	(1,330)	(368)	(5,527)	(5,527)	(5,527)	(5,527)	(5,527)	(5,527)	(5,527)	(4,787)
Service charge costs	(2,330)	(1,632)	(1,176)	(294)	(5,432)	(5,432)	(5,432)	(5,432)	(5,432)	(5,432)	(5,432)	(5,434)
Other cost	(3,289)	(1,385)	(615)	(568)	(5,857)	(5,857)	(5,857)	(5,857)	(5,857)	(5,857)	(5,857)	(5,987)
Routine maintenance	(3,850)	(329)	(366)	(13)	(4,558)	(4,558)	(4,558)	(4,558)	(4,558)	(4,558)	(4,558)	(3,706)
Planned maintenance	(3,257)	(913)	(606)	(50)	(4,826)	(4,826)	(4,826)	(4,826)	(4,826)	(4,826)	(4,826)	(3,627)
Rent losses from bad debts	(263)	(60)	(50)	(7)	(380)	(380)	(380)	(380)	(380)	(380)	(380)	(309)
Depreciation of housing properties	(3,308)	(449)	(1,164)	44	(4,877)	(4,877)	(4,877)	(4,877)	(4,877)	(4,877)	(4,877)	(4,035)
Accelerated depreciation	(274)	(25)	(5)	-	(304)	(304)	(304)	(304)	(304)	(304)	(304)	(468)
Impairment release	-	-	-	-	190	190	190	190	190	190	190	-
<b>Operating costs on social housing lettings</b>	<b>(19,620)</b>	<b>(5,573)</b>	<b>(5,312)</b>	<b>(1,256)</b>	<b>(31,761)</b>	<b>(31,761)</b>	<b>(31,761)</b>	<b>(31,761)</b>	<b>(31,761)</b>	<b>(31,761)</b>	<b>(31,761)</b>	<b>(28,163)</b>
<b>Operating surplus on social housing lettings</b>	<b>7,274</b>	<b>2,271</b>	<b>3,055</b>	<b>1,447</b>	<b>14,047</b>	<b>14,047</b>	<b>14,047</b>	<b>14,047</b>	<b>14,047</b>	<b>14,047</b>	<b>14,047</b>	<b>16,514</b>
Void losses	(159)	(258)	(160)	-	(576)	(576)	(576)	(576)	(576)	(576)	(576)	(903)

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 2 Turnover, cost of sales, operating costs and operating surplus (continued)

Particulars of income and expenditure from social housing lettings/Association	General needs housing £'000	Supported housing & housing for older people £'000	Key worker / Intermediate housing £'000	Shared ownership £'000	2018 Total £'000	2017 Total £'000
Rent receivable net of identifiable service charges	19,953	3,894	6,311	1,881	32,039	31,956
Service charge income	2,125	2,591	304	632	5,652	4,850
<b>Net rental income</b>	<b>22,078</b>	<b>6,485</b>	<b>6,615</b>	<b>2,513</b>	<b>37,691</b>	<b>36,806</b>
Other income	781	994	1,485	12	3,272	3,242
Amortisation of housing grant	1,191	268	267	95	1,821	1,767
<b>Turnover from social housing lettings</b>	<b>24,050</b>	<b>7,747</b>	<b>8,367</b>	<b>2,620</b>	<b>42,784</b>	<b>41,815</b>
Management	(3,037)	(765)	(1,330)	(355)	(5,487)	(4,765)
Service charge costs	(2,260)	(1,630)	(1,176)	(293)	(5,359)	(5,388)
Other cost	(3,304)	(1,380)	(615)	(564)	(5,863)	(6,011)
Routine maintenance	(3,802)	(319)	(366)	(13)	(4,500)	(3,657)
Planned maintenance	(2,869)	(912)	(606)	(50)	(4,437)	(3,344)
Rent losses from bad debts	(254)	(58)	(50)	(7)	(369)	(316)
Depreciation of housing properties	(2,974)	(447)	(1,164)	44	(4,541)	(3,776)
Accelerated depreciation	(252)	(24)	(5)	-	(281)	(348)
Impairment release	-	-	-	-	-	190
<b>Operating costs on social housing lettings</b>	<b>(18,752)</b>	<b>(5,535)</b>	<b>(5,312)</b>	<b>(1,238)</b>	<b>(30,837)</b>	<b>(27,415)</b>
<b>Operating surplus on social housing lettings</b>	<b>5,298</b>	<b>2,212</b>	<b>3,055</b>	<b>1,382</b>	<b>11,947</b>	<b>14,400</b>
<b>Void losses</b>	<b>(149)</b>	<b>(250)</b>	<b>(160)</b>	<b>-</b>	<b>(559)</b>	<b>(867)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3 Accommodation in management**

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

	Group		Association	
	2018 No.	restated 2017 No.	2018 No.	restated 2017 No.
<b>Social housing</b>				
General needs housing				
Social	3,487	3,510	3,025	3,047
Affordable	385	352	313	302
Supported housing and housing for older people	646	640	631	631
Shared ownership	429	421	415	407
Keyworker housing	932	918	932	918
Rent to homebuy	14	18	14	18
Residential care homes	35	35	35	35
<b>Total managed</b>	<b>5,928</b>	<b>5,894</b>	<b>5,365</b>	<b>5,385</b>
<b>Non-social housing</b>				
Commercial/Right to buy/Leasehold/Market rented	720	694	690	644
<b>Total owned and managed</b>	<b>6,648</b>	<b>6,588</b>	<b>6,055</b>	<b>6,029</b>

The Group owns 56 supported housing units (2017: 56) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units. The prior year figures have been restated to reflect the correct classification of market rent properties as non-social housing.

**4 Operating surplus**

This is arrived at after charging:

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Depreciation of housing properties	4,877	4,035	4,541	3,776
Accelerated depreciation charge	304	468	281	348
Depreciation of other tangible fixed assets	654	722	654	722
Impairment (release)/provision on housing properties	-	(190)	-	(190)
Operating lease rentals for office equipment and computers	23	41	23	41
Auditors' remuneration				
- for audit services	60	67	42	49
- for non-audit services	74	19	13	6

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5 Gain/(loss) on disposal of property, plant and equipment

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Disposal proceeds	29,811	9,742	18,318	9,742
Carrying value of fixed assets	(26,253)	(4,069)	(14,760)	(4,069)
	3,558	5,673	3,558	5,673

## 6 Interest receivable

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Bank interest receivable	110	43	106	31
Other interest receivable	-	1	674	550
	110	44	780	581

## 7 Interest and financing costs

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Loans and bank overdrafts	15,044	14,505	13,140	12,158
Amortisation of financing costs	372	310	338	202
Pension interest costs	6	129	6	129
	15,422	14,944	13,484	12,489
Interest capitalised on housing properties under construction	(1,944)	(2,118)	(893)	(444)
	13,478	12,826	12,591	12,045
Capitalisation rate used to determine the finance costs capitalised during the period	5.11%	4.64%	5.10%	4.64%

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**8 Employees**

Average monthly number of employees expressed in full time equivalents:

	Group and Association	
	2018 No.	2017 No.
Administration	62	55
Development	11	11
Housing, support and care	203	178
	276	244
	276	244

Full time equivalents are calculated based on a standard working week of 37 hours.

Employee costs:

	Group and Association	
	2018 £'000	2017 £'000
Wages and salaries	8,226	8,187
Social security costs	792	761
Other pension costs	624	659
Employee benefits accrued	(4)	9
	9,638	9,616
	9,638	9,616

The Group operates a salary sacrifice scheme by which employees forego remuneration equivalent to the value of the pension contributions attributable to the employee. The Group then pays these contributions on behalf of the employee. Thus, the charge for the year ended 31 March 2018 under FRS 17 represents the total contributions payable.

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

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

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

The Trustee commissions an actuarial valuation of the Scheme every 3 years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 8 Employees (continued)

The last formal valuation of the Scheme was performed as at 30 September 2014 by a professionally qualified Actuary using the Projected Unit Method. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m, equivalent to a past service funding level of 70%.

As a result of this past service deficit the existing contribution basis will remain in place and it will be necessary to increase deficit contributions from April 2016, to manage the newly emerging deficit.

The Association paid £609,887 during the year in additional contributions:

- £147,217 increasing at 4.7% per annum until 2021 in respect of the 2005 Recovery Plan
- £103,723 increasing at 4.7% per annum until 2024 in respect of the 2008 Recovery Plan
- £168,197 increasing at 3% per annum until March 2026 in respect of the 2011 Recovery Plan
- £160,206 increasing at 3% per annum until March 2026 in respect of the 2014 Recovery Plan

The Association also participates in The Pension's Trust Growth Plan and paid £30,551 during the year. The Trustee commissioned an actuarial valuation of the Growth Plan as at 30 September 2014 by a professionally qualified actuary using the Projected Unit Method. The market value of the scheme's assets at the valuation date was £793.4m. The valuation revealed a shortfall of assets compared with the value of liabilities of £176.5m equivalent to a past service funding level of 81.8%.

The deficit contribution will remain as agreed by the Association, following the previous 2011 Actuarial Valuation, an additional amount of £9,404 per annum for 10 years from 1 April 2013. The additional 'deficit contributions' payable will continue to increase by 3% each year in April. From 1 April 2017 this will be £31,468.

Under FRS 102, a liability is recognised for the deficit funding arrangement agreed. The amount recognised is the present value of the deficit reduction contributions payable under the agreement to reduce the deficit. The present value is calculated using discount rates of the IBOXX Index for UK A rated corporate bonds of the same duration and currency as the liability. The unwinding of the discount rate is recognised as a finance cost.

<b>Reconciliation of opening and closing liability</b>	<b>£'000</b>
Liability at 1 April 2017	4,813
Deficit contributions paid	(632)
Remeasurements - change to assumptions	(16)
Unwinding of discount factor	6
Liability at 31 March 2018	<u>4,171</u>
Short term liability	646
Long term liability	3,525
Liability at 31 March 2018	<u>4,171</u>
	<b>£'000</b>
Interest expenses	6
Remeasurements	(16)
Cost recognised in income statement	<u>(10)</u>

**Assumptions**

1 to 3 Years	1.56%
3 to 5 Years	1.78%
5 to 7 years	2.23%
7 to 10 years	2.57%
10 to 15 Years	2.80%
15 Years +	3.24%

The discount rates shown above have been derived from the yield curve of UK A-rated corporate bonds of the same duration and currency as the deficit payments.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9 Board members, executive directors and senior staff emoluments

Group and Association	Basic salary £ '000	Benefits in kind £ '000	Pension contr'n's £ '000	2018 Total £ '000	2017 Total £ '000
Aggregate emoluments	581		93	674	627

Non-executive Board Members received emoluments of £54,725 cumulatively, including £10,100 (2017: £10,016) received by the Chair. This excludes the Chief Executive aggregate emoluments as the highest paid director, which is detailed below. Expenses paid during the year to Board members amount to £3,466 (2017: £3,466).

	Basic salary £	Benefits in kind £	Pension contr'n's £	2018 Total £	2017 Total £
Stephen White	9,900	-	200	10,100	10,016
Anne Bowers	4,500	-	-	4,500	4,500
Mash Halai	4,500	-	-	4,500	4,500
Nicky Wilden	4,500	-	-	4,500	4,500
Mary Gibbons	4,500	-	-	4,500	4,500
Stephen Mutton	4,500	-	-	4,500	4,500
Gordon Wright	4,500	-	-	4,500	4,500
Julia Porter	4,500	-	-	4,500	2,250
Christopher Bond	4,500	-	-	4,500	-
Paul McCann	4,125	-	-	4,125	375
Bryan Ingleby	4,500	-	-	4,500	375
Aggregate emoluments of Board Members (excluding Chief Executive)	54,525	-	200	54,725	40,016

Cost is recognised in the income statement.

Origin's policy on board member remuneration is to pay at the median rate for housing associations of our size in the not-for-profit sector. In setting the median rates for Board Members and the Chair of the Board, benchmarking data comes from the National Housing Federation's annual survey of board member pay. Board Member and Chair remuneration rates are formally reviewed against the market every three years. No amounts were paid or are payable to any third party for the services of any Director. The aggregate compensation paid to Directors or past Directors in respect of loss of office was £72k (2017: £nil)

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £135,000 (2017: £116,417). The Chief Executive is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Group and Association	Basic salary £ '000	Benefits in kind £ '000	Pension contr'n's £ '000	2018 Total £ '000	2017 Total £ '000
Aggregate emoluments of highest paid director	135	-	27	162	143

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**9 Board members, executive directors and senior staff emoluments (continued)**

The full time equivalent number of staff whose remuneration, including pension contributions, was greater than £60,000 in bands of £10,000 is below:

	Group and Association	
	2018 No.	2017 re-stated No.
£60,000 to £69,999	5	7
£70,000 to £79,999	4	3
£80,000 to £89,999	2	3
£90,000 to £99,999	-	1
£100,000 to £109,999	2	-
£110,000 to £119,999	-	-
£120,000 to £129,999	2	2
£130,000 to £139,999	-	-
£140,000 to £149,999	-	1
£150,000 to £159,999	-	-
£160,000 to £169,999	1	-
	16	17

The figures for 2017 are re-stated to include pension contributions.

Key management personnel include all board members, the executive directors and a number of senior managers across the group who together, and to various degrees, have the authority and responsibility for planning, directing and controlling the activities of the group. The total compensation paid to key management personnel for services provided to the group was £674k (2017: £627k).

**10 Tax on surplus on ordinary activities**

Origin Properties Limited, Origin Finance Limited, Origin Finance 2 Plc, and Origin Housing Developments Limited are subject to corporation tax. Origin Housing Limited has Charitable Objects and is exempt from corporation tax on its charitable activities.

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
United Kingdom Corporation Tax				
Current tax on income for the year	-	48	-	-
Adjustments in respect of prior periods	(48)	-	-	-
Current tax (credit)/ charge for the period	-	48	-	-
Deferred tax				
Origination and reversal of timing differences	(3)	-	-	-
	(51)	48	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 10 Tax on surplus on ordinary activities (continued)

## Factors affecting the tax charge for the period

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Surplus for the year before taxation	15,331	43,181	11,164	23,000
Corporation tax at 19% (2017: 20%)	2,913	8,636	-	4,600
<i>Effects of:</i>				
Income from exempt activities	(2,850)	(8,602)	(11,164)	(4,600)
Expenses not deductible for tax purposes	8	-	-	-
Amounts charged/(credited) directly to SOCR or otherwise transferred	-	3,967	-	-
Current tax charged/(credited) directly to SOCR	-	(1,537)	-	-
Adjustments in respect of prior years	(51)	-	-	-
Adjust closing deferred tax to average rate	-	(203)	-	-
Deferred tax asset not recognised	71	(2,213)	-	-
	(51)	48	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11 Tangible fixed assets – housing properties

Group	Social housing held for letting	Social housing to let under construction	Shared ownership completed	Shared ownership under construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
<b>Cost</b>					
At 1 April 2017	671,840	13,700	51,213	16,992	753,745
Transfer to investment properties	(1,607)				(1,607)
Reclassification from / (to) private sales		610	488	(1,853)	(755)
Additions – new properties/ construction		11,590		9,613	21,203
Additions – works to existing properties	15,662		11		15,673
Schemes completed	8,512	(8,512)	2,926	(2,926)	-
Transfer to current assets		(1,593)		(3,663)	(5,256)
Impairment charge in year					-
Disposals	(892)	(3,824)	(1,719)	(11,661)	(18,096)
At 31 March 2018	693,515	11,971	52,919	6,502	764,907
<b>Accumulated depreciation and impairment</b>					
At 1 April 2017	55,005	-	1,322	-	56,327
Depreciation charge	5,101				5,101
Transfer to investment properties	(110)				(110)
Disposals	(252)		(44)		(296)
At 31 March 2018	59,744	-	1,278	-	61,022
<b>Net book value</b>					
At 1 April 2017	616,835	13,700	49,891	16,992	697,418
At 31 March 2018	633,771	11,971	51,641	6,502	703,885

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11 Tangible fixed assets – housing properties (continued)

Association	Social housing held for letting	Social housing to let under construction	Shared ownership completed	Shared ownership under construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
<b>Cost</b>					
At 1 April 2017	616,410	4,494	48,410	6,549	675,863
Transfer to investment properties	(1,439)				(1,439)
Reclassification from private sales			488		488
Additions – new properties/ construction		9,539		9,065	18,604
Additions – works to existing properties	13,485				13,485
Schemes completed	1,323	(1,323)	2,926	(2,926)	-
Transfer to current assets					-
Disposals	(860)	(1,849)	(1,719)	(5,317)	(9,745)
					-
At 31 March 2018	628,919	10,861	50,105	7,371	697,256
<b>Accumulated depreciation and impairment</b>					
At 1 April 2017	51,995	-	1,331	-	53,326
Depreciation charge	4,754				4,754
Transfer to investment properties	(99)				(99)
Disposals	(286)				(286)
At 31 March 2018	56,364	-	1,331	-	57,695
<b>Net book value</b>					
At 1 April 2017	564,415	4,494	47,079	6,549	622,537
At 31 March 2018	572,555	10,861	48,774	7,371	639,561

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 11 Tangible fixed assets – housing properties (continued)

The net book value of Group housing properties may be further analysed as:

	2018 £ '000	2017 £ '000
Freehold	459,209	471,428
Long leasehold	244,676	225,990
At 31 March	<u>703,885</u>	<u>697,418</u>

If Group housing property had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

	2018 £ '000	2017 £ '000
Historic cost	661,906	650,744
Accumulated depreciation	(37,368)	(42,360)
At 31 March	<u>624,538</u>	<u>608,384</u>

## Interest capitalisation by the Group

	2018 £ '000	2017 £ '000
Interest capitalised in the year	2,072	2,118
Cumulative interest capitalised	12,434	10,316
At 31 March	<u>14,506</u>	<u>12,434</u>

Expenditure on works to existing properties by the Group:

	2018 £ '000	2017 £ '000
Amounts capitalised	15,673	13,822
Amounts charged to income statement	4,826	3,627
At 31 March	<u>20,499</u>	<u>17,449</u>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****11 Tangible fixed assets – housing properties (continued)****Valuation**

On transition to FRS 102 Origin Housing took the option of carrying a one off valuation on a number of its housing properties and using that amount as deemed costs.

To determine the deemed cost at 1st April 2014, the Group engaged external valuers Jones Lang LaSalle Ltd to value housing properties on an Existing Use Value for Social Housing (EUV-SH) basis. Housing properties will subsequently be measured at cost.

The valuation was carried out as a desktop exercise on an EUV-SH basis using discounted cashflows. The property portfolio was Grouped by a number of key parameters to determine the valuation including:

- Location
- Age
- Tenure Type
- Spread
- Construction
- Rental streams less key deductions for expected maintenance and management costs
- Usage categories
- Property Type

The valuation apportioned rates between 84% (Outer London) and 87.5% (Inner London) as a land apportionment of the EUV-SH asset value.

The carrying value at 31 March 2018 of letting properties under the cost model would be £624,538k compared with £703,885k shown in the Statement of Financial Position and notes above

**Impairment**

Under FRS 102, the SORP (Statement of Recommended Practice) considers that properties held for their social benefit are not held solely for the cash inflows they generate but for their service potential. Hence, an impairment provision will not be triggered on initial recognition of the value being below costs under FRS 102. No impairment triggers have been identified for the year ended 31 March 2018.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12 Tangible fixed assets – investment properties

Group	Commercial	Market Rent	Total	Total
	2018	2018	2018	2017
	£ '000	£ '000	£ '000	£ '000
<b>Valuation</b>				
At 1 April 2017	47,795	15,350	63,145	47,209
Additions	794	3,699	4,493	3,514
Transfer from other fixed assets / housing properties	580	1,607	2,187	859
Revaluation	2,114	6,613	8,727	11,563
At 31 March 2018	51,283	27,269	78,552	63,145
<b>Association</b>				
Association	Commercial	Market Rent	Total	Total
	2018	2018	2018	2017
	£ '000	£ '000	£ '000	£ '000
<b>Valuation</b>				
At 1 April 2017	40,305	14,438	54,743	40,331
Additions	794	3,699	4,493	3,514
Transfer from housing properties	580	1,439	2,019	859
Revaluation	1,314	3,967	5,281	10,039
At 31 March 2018	42,993	23,543	66,536	54,743

**Valuation**

The Group's investment properties are valued annually on 31 March at fair value, determined by independent, professionally qualified valuers, Jones Lang LaSalle Ltd. The valuations were undertaken in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual.

Investment properties are professionally valued annually using a yield methodology. This uses market rental values capitalised at a market capitalisation rate but there is an inevitable degree of judgement involved in that each property is unique and value can only ultimately be reliably tested in the market itself. Key inputs into the valuations were:

- o Capitalisation rate market rented properties: 7.75% for Greater London and 8.00% of Hertfordshire
- o Capitalisation rate commercial properties: 3.5% - 7.50%, with a weighted average of 6.00%

The surplus on revaluation of investment property arising of £8,727k (Association £5,281k) has been credited to the Statement of Comprehensive Income for the year. The historic cost of market rent properties is £12,302k for the Group and £12,065k for the Association (2017: £6,996k Group and £6,927k).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 13 Tangible fixed assets - other

Group and Association	Furniture, fixtures & fittings £'000	Computers & office equipm't £'000	Total £'000
<b>Cost</b>			
At 1 April 2017	3,025	10,914	13,939
Additions	-	1,224	1,224
Transfer to investment properties	(2,968)	-	(2,968)
At 31 March 2018	57	12,138	12,195
<b>Accumulated depreciation</b>			
At 1 April 2017	2,445	8,665	11,110
Charged in year	-	654	654
Transfer to investment properties	(2,388)	-	(2,388)
At 31 March 2018	57	9,319	9,376
<b>Net book value</b>			
At 1 April 2017	580	2,249	2,829
At 31 March 2018	-	2,819	2,819
<b>14 Investment in subsidiaries &amp; joint ventures</b>			
<b>Group</b>	<b>2018</b>	<b>2017</b>	
	<b>£ '000</b>	<b>£ '000</b>	
Investment in South Harrow LLP	3,635	-	
Investment in Central Harrow LLP	2,927	-	
Sector Lending vehicle	6	-	
	6,568	-	
<b>Association</b>	<b>2018</b>	<b>2017</b>	
	<b>£ '000</b>	<b>£ '000</b>	
Investment in Origin Properties Limited	7,252	14,050	
Investment in other subsidiaries	2,766	50	
	10,018	14,100	

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 14 Investment in subsidiaries &amp; joint ventures (continued)

The Association owns the following shares:

Number of Shares	Company / (Principle Activity)	Percentage of issued share capital
1 ordinary £1 share	Origin Finance Limited (Financing)	100%
4 ordinary £1 shares	Origin Properties Limited (Property development and management)	100%
1 ordinary £1 share	Origin Housing Developments Limited (Property development)	100%
6 ordinary £1 share	Origin Housing 2 Limited (Social Housing provider)	100%
50,000 ordinary £1 shares	Origin Finance 2 Plc (Financing)	100%

The country of incorporation for all these companies was England.

As required by statute, the financial statements consolidate the results of Origin Finance Limited, Origin Properties Limited, Origin Housing Developments Limited, Origin Housing 2 Limited, and Origin Finance 2 Plc which were members of the Group for the whole of the year. The Association has the right to appoint members to the Boards of the Group members and thereby exercises control over them. Origin Housing Limited is the ultimate parent undertaking.

During the year the Association invested in shares in Origin Finance Limited, this investment £(7,683)k was written off following a capital restructure within Origin Finance Limited.

During the year the Association provided management services to all members of the Group. It also provided loans to Origin Properties Limited in the year and received repayments bringing the total advanced to £7,252k (2017: £14,050k).

## 15 Properties held for sale

	Group		Association	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Properties under construction	13,041	18,159	945	6,425
Capitalised interest (properties under construction)	3,152	2,355	29	81
Completed properties	1,989	6,775	-	-
	<u>18,182</u>	<u>27,289</u>	<u>974</u>	<u>6,506</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 16 Debtors

	Group		Association	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Rent and service charges receivable	1,728	4,361	1,712	4,209
Provision for bad and doubtful debts	(843)	(502)	(828)	(495)
	885	3,859	884	3,714
Commercial rent and service charge arrears	1,289	202	1,095	66
Amounts due from Group companies	-	-	4,705	9,489
Amounts due from joint ventures	17,978	-	20,186	-
Prepayments and accrued income	2,035	2,084	2,034	2,004
Other debtors	3,623	465	3,312	464
	25,810	6,610	32,216	15,737

## 17 Creditors: amounts falling due within one year

	Group		Association	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Loans (note 19)	11,637	18,749	11,637	18,749
Deferred financing costs (note 19)	(295)	(304)	(259)	(217)
Trade creditors	3,180	816	2,522	359
Grants received in advance	158	165	158	165
Amounts owed to Group companies	-	-	3,667	800
Recycled capital grant fund (note 21)	1,124	675	1,124	675
Corporation tax	-	48	-	-
Other taxation and social security	753	68	256	157
Leaseholder sinking funds	1,236	1,121	1,236	1,121
Accrued interest	2,961	2,779	2,381	2,200
Capital accrual	6,726	5,589	5,691	4,145
Deferred income	18	188	18	188
Other creditors and accruals	7,485	5,855	7,187	5,663
	34,983	35,749	35,618	34,005

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 18 Creditors: amounts falling due after more than one year

	Group		Association	
	2018 £ '000	Restated 2017 £ '000	2018 £ '000	2017 £ '000
Loans (note 19)	315,444	291,208	275,440	251,208
Deferred financing costs (note 19)	(1,707)	(1,805)	(842)	(1,105)
Recycled capital grant fund (note 21)	3,134	2,863	3,134	2,863
Disposal proceeds fund (note 21)	420	420	420	420
Corporation tax	-	3	-	-
<b>Total Loans</b>	<b>317,291</b>	<b>292,689</b>	<b>278,152</b>	<b>253,386</b>
<b>19 Debt</b>				
	Group	Restated Group	Association	Association
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
<b>Due within one year</b>				
Bank loans	11,637	18,749	11,637	18,749
	11,637	18,749	11,637	18,749
Deferred financing costs	(295)	(304)	(259)	(217)
	11,342	18,445	11,378	18,532
<b>Due after more than one year</b>				
Bank loans	235,425	241,190	115,421	121,190
Other loans	19	18	19	18
Bond Issue	80,000	50,000	-	-
Loans from subsidiaries	-	-	160,000	130,000
	315,444	291,208	275,440	251,208
Deferred financing costs	(1,707)	(1,805)	(842)	(1,105)
	313,737	289,403	274,598	250,103

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Debt (continued)	Restated		Association	Association
	Group	Group		
	2018	2017	2018	2017
Breakdown of debt due after one year	£ '000	£ '000	£ '000	£ '000
Due between one and two years	23,550	11,637	23,550	11,637
Due between two and five years	29,572	54,209	29,572	54,209
Due In five or more years	262,322	225,362	222,318	185,362
	315,444	291,208	275,440	251,208
Deferred financing costs	(1,707)	(1,805)	(842)	(1,105)
	313,737	289,403	274,598	250,103
Total debt				
Loans	327,081	309,957	287,077	269,957
Deferred financing costs	(2,002)	(2,109)	(1,101)	(1,322)
	325,079	307,848	285,976	268,635

The bank loans are secured by fixed charges on individual properties.

The bank and other loans are repaid at various times of the year. The interest rates are a mixture of fixed and variable rates, and range from 1.96% to 12.46% (2017: 1.63% to 12.46%).

The interest of 12.46% relates to £1.6m which is repayable in March 2039.

## 20 Deferred government grant

	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
At 1 April	155,570	156,683	151,824	153,185
Grant received in the year	2,157	1,456	2,157	1,328
Transfer from RCGF	328	265	328	265
Homebuy grant adjustment	36	591	36	591
Homebuy redemption	(36)	(119)	(36)	(119)
Recycled on disposals	(1,033)	(1,509)	(1,033)	(1,509)
Transferred to subsidiary		-	(520)	(150)
Amortisation	(1,858)	(1,797)	(1,821)	(1,767)
At 31 March	155,164	155,570	150,935	151,824

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 21 Recycled capital grant fund &amp; disposal fund

Group and Association	Recycled Capital Grant Fund		Disposal Proceeds Fund	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
At 1 April	3,538	2,233	420	-
Grants recycled / net sale proceeds recycled	1,033	1,570	-	420
Interest accrued	15	-	-	-
Purchase/ development of properties	(328)	(265)	-	-
At 31 March	4,258	3,538	420	420
Disclosed as:				
Amounts falling due within one year (note 17)	1,124	675	-	-
Amounts falling due between one to two years (note 18)	2,100	1,293	420	-
Amounts falling due between two and five years (note 18)	1,034	1,570	-	420
	4,258	3,538	420	420
Amount due for repayment to the Homes and Communities Agency and Greater London Authority	-	-	-	-

There are no amounts outstanding for 3 or more years.

## 22 Provisions for liabilities and charges

The Group has made provision for SHPS pension deficit contribution as required under FRS 102 where a liability is recognised for the deficit funding arrangement.

Other provisions for liabilities and charges	Restructure	Litigation	Total
	£ '000	£ '000	£ '000
Provision at 1 April 2017	-	-	-
Insurance claim		434	434
Restructures	72		72
At 31 March 2018	72	434	506

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 23 Non-equity share capital

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

Association	2018	2017
	£	£
<b>Shares of £1 each issued and fully paid</b>		
At 1 April	33	32
Shares issued during the year	-	4
Shares surrendered during the year	(5)	(3)
At 31 March	28	33
	28	33

## 24 Financial commitments

Capital expenditure commitments were as follows:

	Group		Association	
	2018	2017	2018	2017
	£ '000	£ '000	£ '000	£ '000
Expenditure contracted for but not provided in the accounts	17,042	20,577	8,462	15,396
Expenditure authorised by the Board, but not contracted	10,234	98,921	6,476	9,609
	27,276	119,498	14,938	25,005
	27,276	119,498	14,938	25,005

The above commitments will be financed primarily through borrowings (£30m).



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 24 Financial commitments (Continued)

Commitments under operating leases were as follows:

	Group		Association	
	2018 £ '000	2017 £ '000	2018 £ '000	2017 £ '000
Operating lease payments receivable:	300	422	271	382
- Within one year	556	418	556	415
- One to five years	24	25	24	25
- More than five years				
	<u>880</u>	<u>865</u>	<u>851</u>	<u>822</u>
Operating lease payments due:	14	28	14	28
- Within one year	9	4	9	4
- One to five years	-	-	-	-
- More than five years				
	<u>23</u>	<u>32</u>	<u>23</u>	<u>32</u>

## 25. Financial Instruments

	2018 £'000	2017 £'000
<b>Financial assets</b>		
Financial assets measured at historical cost		
Trade receivables	25,810	6,610
Cash and cash equivalents	18,091	17,884
Total financial assets	<u>43,901</u>	<u>24,494</u>
<b>Financial liabilities</b>		
Financial liabilities measured at historical cost		
- Trade creditors	24,147	17,307
Financial liabilities measured at amortised cost		
- Loans payable	325,079	286,046
Total financial liabilities	<u>349,226</u>	<u>303,533</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**26 Contingent liabilities**

The Group (and Association) had contingent liabilities of £4,906k (2017: £3,913k) relating to the callable interest rate swap contract which will be payable should the lender choose to terminate the contract.

It is not practical to provide indication of the uncertainties relating to the amount or timing of any payment of these liabilities.

**27 Financial liabilities**

**Financial liabilities** excluding trade creditors – interest rate risk profile

	Group		Association	
	2017	2017	2017	2017
	£ '000	£ '000	£ '000	£ '000
Floating rate	54,750	53,233	24,750	53,233
Fixed rate	272,331	252,810	262,397	216,724
Total	327,081	306,043	287,147	269,957

The Association's financial liabilities are sterling denominated. After taking into account various interest rate swaps, the interest rate profile of the Group's financial liabilities at 31 March were:

The fixed rate financial liabilities have a weighted average interest rate of 4.90% (2017: 5.48%) and the average period for which it is fixed is 18 years (2017: 18 years).

The floating rate financial liabilities comprise bank loans and overdrafts that bear interest at rates based on the three-month LIBOR.

The debt maturity profile is shown in note 20.

**Borrowing facilities**

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

	2018	2017
	£ '000	£ '000
Expiring between two to five years	50,000	52,000

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28 Related parties

The Board includes one leasehold member who holds a lease on normal commercial terms and cannot use their position to their advantage. The charges charged for the year was £1,089 and the leaseholder had an arrears balance of £82 at the 31 March 2018.

During the year the following significant transactions took place between Group members

## Intra-Group loans

Entity granting loan	Entity receiving loan	2017 £'000	Movement £'000	2018 £'000
Origin Housing Ltd	Origin Properties Ltd	14,050	(6,798)	7,252
Origin Housing 2 Ltd	Origin Properties Ltd	6,989	367	7,356
Origin Housing 2 Ltd	Origin Housing Development Ltd	8,042	(1,158)	6,884
Origin Housing Ltd	Origin Housing Development Ltd	-	2,708	2,708
Origin Properties Ltd	Origin Housing Development Ltd	8,686	(3,000)	5,686
Origin Finance Ltd	Origin Housing Ltd	135,000	(15,000)	120,000
Origin Finance 2 Plc	Origin Housing Ltd	10,000	30,000	40,000
Origin Finance 2 Plc	Origin Housing 2 Ltd	40,000	-	40,000
Origin Housing Development Ltd	South Harrow	-	3,635	3,635
Origin Housing Development Ltd	Central Harrow	-	2,927	2,927
		<u>222,767</u>	<u>13,681</u>	<u>236,448</u>

Payable to Origin Housing Ltd by subsidiaries:	Management charges		Interest charges	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Origin Properties Ltd	434	154	943	550
Origin Housing Development	15	-	-	378
Origin Finance Ltd	2	-	-	-
Origin Finance 2	2	-	-	-
Origin Housing 2	694	715	-	-
	<u>1,147</u>	<u>869</u>	<u>943</u>	<u>928</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28 Related parties (continued)

	Management charges		Interest charges	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Payable by Origin Housing Ltd to subsidiaries:				
Origin Properties Ltd	-	-	-	-
Origin Housing Development	-	-	-	-
Origin Finance Ltd	15	15	5,781	6,075
Origin Finance 2	2	2	254	475
	<u>17</u>	<u>17</u>	<u>6,035</u>	<u>6,550</u>

## 29 Post balance sheet events

There are no post balance sheet events.

## 30 Legislative provisions

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a Registered Provider of Social Housing registered with the Homes and Communities Agency under the Housing and Regeneration Act 2008.

## 31 Acquisition of subsidiary

There were no acquisitions of subsidiaries during the year.

## 32 Adoption of amendments to FRS102

Group	Reserves as at 1 April 2016 £'000	Surplus for year ended 31 March 2017 £'000	Transfer from revaluatio n reserve to revenue reserve	Reserves as at 31 March 2017 £'000
Reserves (FRS102)	178,513	43,133	(110)	221,536
Elimination of movement in fair value of derivative financial instruments	15,922	(19,836)	-	(3,914)
Reserves (FRS102 amended)	<u>194,435</u>	<u>23,297</u>	<u>(110)</u>	<u>217,622</u>

The adoption of the amendments to FRS102 had no impact on the reserves of the Association.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32 Adoption of amendments to FRS102 (continued)**Explanation of changes to previously reported surpluses and reserves

Section 12 of FRS 102 requires complex financial instruments and transactions to be measured at fair value with changes in fair value to be taken through the Statement of Comprehensive Income. The amendments to FRS 102 broaden the definition of a "basic" financial instrument and narrow the definition of complex financial instruments and consequently in applying the amendments to FRS102 certain loans have been reclassified as "basic" financial instruments and are valued at amortised cost rather than fair value.

