
ORIGIN HOUSING LIMITED

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 MARCH 2017

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

Chair	Steve White
Vice Chair	Nicky Wilden
Other Members	Karen Wilson (resigned March 2017) Jolyon Griffiths (resigned March 2017) Anne Bowers Mash Halai Mary Gibbons Stephen Mutton Gordon Wright Suzanne Davies (resigned June 2016) Julia Porter (appointed August 2016) Bryan Ingleby (appointed March 2017) C Bond (appointed March 2017) P McCann (appointed March 2017) C Carter (appointed April 2017)
Chair of Audit & Risk Committee	Gordon Wright
Chair of Operations Committee	Anne Bowers
Chair of Governance Committee	Nicky Wilden
Chair of Investment Committee	Jolyon Griffiths (resigned March 2017) C Bond (appointed March 2017)

Executive Directors

Chief Executive	Carol Carter (appointed April 2017) Karen Wilson (resigned March 2017)
Director of Finance & Company Secretary	Chris Trebilcock
Director of Development and Assets	Gareth Jones
Director of Operations	Richard Parkin
Director of Housing Services	Manpreet Dillon (resigned June 2016)
Director of Corporate Services	Cathy McCarthy

Registered office

St Richard's House
110 Eversholt Street
London NW1 1BS

Registered number

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

Auditors

BDO LLP
2 City Place
Beehive Ring Road
Gatwick, West Sussex
RH6 0PA

Internal Auditors

RSM, The Pinnacle, 170 Midsummer Boulevard
Milton Keynes, Bucks.
Mk9 1BP

Principal Solicitors

Trowers & Hamblins
3 Bunhill Row,
London, EC1Y 8YZ

Bankers

Royal Bank of Scotland
189-191 Camden High Street
London NW1 7BP

REPORT OF THE BOARD OF MANAGEMENT FOR YEAR ENDED 31 MARCH 2017

The Board presents its report and the Group's audited financial statements for the year ended 31 March 2017.

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 (affordable, sheltered, supported, keyworker, shared ownership, rent to homebuy, leasehold) 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 18 to 22.

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 £43,133k (2016: £2,322k), the year-end reserves of the Group amounted to £333.0m (2016: £289.9m).

Donations

The Group did not make any donations during this and 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 Board members, the senior management team and staff.

Severance and Redundancy Payments

The total severance and redundancy payments made during the year were £167.8k (2016: £107.5k) relating to 15 (2016: 10) 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 2. The Board members are drawn from a wide background bringing together appropriate professional, commercial and local 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 accounts.

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

Service contracts

The Chief Executive is appointed on a permanent contract on 6 months' notice. The other executive directors are employed on 3 months' notice. Details of the executive directors' remuneration packages are included in note 9 to the audited financial statements.

Pensions

The executive directors 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 accounts.

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. We also have a top up policy for directors' and officers' cover with This Housing.

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 Homes and Communities Agency (HCA). The Board has conducted an assessment of its compliance with the Governance and Financial Viability Standard issued by the HCA during the year and is satisfied subject to the issue detailed below that it has fully complied. During the year a detailed review was conducted of the group's adherence to Health and Safety legislation, certain areas of non-adherence were identified. The HCA was notified of a material issue during the year. As at the date of signing the financial statements the Board is satisfied that appropriate policies and procedures are in place and an action plan is being delivered to implement and embed and monitor compliance with policies and procedures. Subject to the above the Board having undertaken reasonable enquiries is able to state that to the best of its knowledge and belief the group adheres to all relevant legislation.

NHF Code of Governance and Code of Conduct

Origin Housing Limited has adopted the NHF Code of Governance 2015 and has complied with its provisions.

Following an annual review and assessment return to the regulator, 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.

The membership of the Origin Housing Board provides a cross section of experience that is designed to support and challenge the Executive team. The Board is supported by the Audit and Risk Committee, Investment Committee and Governance Committee.

Resident involvement

The Group encourages resident involvement in decision-making by promoting various consultation mechanisms. Examples include the Scrutiny panel and service specific panels. As at 31 March 2017 the Group had 1 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 Group 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 the Executive Team and the Audit and Risk Committee.

The system of internal control 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 mis-statement, loss, or failure to achieve the business objectives.

In fulfilling these responsibilities the Board has ensured that the process for identifying, evaluating and managing the significant risks faced by the Group 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 this annual report and accounts.

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

- a Risk Management Policy and Framework

- the Rules and Standing Orders of the Association (including terms of reference for Boards and Committees)
- a set of delegated powers detailing responsibilities for expenditure and authorisation of payments
- a comprehensive set of financial and operating policies and procedures covering all aspects of the business
- a risk based approach to internal audit reviews
- a code of conduct for Board members and staff
- a policy on regular performance reporting to the Board
- a Treasury Management Policy and Strategy with at least six monthly reviews provided to the Investment Committee, together with updates on the current position included in the quarterly management accounts provided to the Board.

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

- Identifying and evaluating key risks and the control environment
- Reviews of the risk management framework
- A strategic risk register linked to the association's key business plan objectives
- A three times a year review of the strategic risk register and internal controls by the Audit and Risk committee
- A Board review of strategic risks twice a year
- A strategic risk register reviewed quarterly by the executive
- A 5 year business plan developed from a 30 year planning model
- A specific review of high level business plan risks 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
- An Executive Investment Panel and an Investment Committee which reviews the financial and other risks attached to all new business initiatives within parameters agreed by the Board
- A Risk Assessment Panel which reviews other risks apart from new business initiatives and funding issues

Information and Reporting systems

- An annual budget agreed before the beginning of each financial year
- Quarterly performance reports to the Board
- Quarterly management accounts to the Board
- A monthly balanced scorecard report reviewed by the Executive team and Senior Managers covering all key performance areas
- An annual review of performance and setting of new targets by the Board
- An annual review of the business plan 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
- Minutes of the Executive Investment Panel considered by the Investment Committee
- Reports to the Board on any fraudulent activity
- Reports from the regulator on regulatory matters are reviewed by the Board

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
- A regular review by the Internal Auditor of the completion of internal audit recommendations, reported to the Audit and Risk Committee
- Review of external audit management letters and action taken by officers
- A three times a year review of strategic risks and controls by the Audit and Risk Committee
- 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

As an outcome of the above processes and procedures the Board have 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 for the year that Origin has an adequate and effective framework for risk management, governance and internal control.

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 Audit and Risk Committee to the Board.

Annual general meeting

The annual general meeting will be held on 4 September 2017 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 2, 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

BDO LLP will be proposed for reappointment at the forthcoming Annual General Meeting.

The next section "VALUE FOR MONEY (VFM) SELF ASSESSMENT 2016/17", is an integral part of the Report of the Board

2016/17 VALUE FOR MONEY (VFM) SELF ASSESSMENT

Introduction by Chair of Origin Housing Board

Value for Money (VFM) underpins 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. 'Adding value' is one of our five core values and we have developed specific competencies for recruiting and developing our people in this area. It 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 across the business, particularly in shaping our approach to service delivery, back office support, planning and project management. This scrutiny is demonstrated through reviews of organisational performance, analysis of customer feedback and engagement with our residents. We also participate in benchmarking groups and collaborate with peer organisations to share good practice. Origin is committed to providing services that support our corporate objectives and regularly review operational performance and customer satisfaction, while controlling and where possible reducing costs. Focussing on VFM benefits our customers and strengthens our financial viability so we can deliver more affordable homes.

The Board considers that this report accurately and fairly reflects our achievements regarding value for money:

- We have focussed over the past two years on putting a strategy in place to address the funding gap resulting from the July 2015 Government budget announcement of 1% rent reduction, welfare reform cuts and benefit caps. This gap equates to £3m over four years, of which £1.6m of savings has been delivered in 2016/17 and a further £1.3m is projected to be delivered over the next two years.
- A three year Business Transformation Programme (BTP) was initiated in 2015/16 to identify and address opportunities for improvement. We have been focussing on areas where we can make the most impact for our customers whilst ensuring we deliver sustainable change that supports our financial security. We have reviewed our service standards and restructured our customer contact centre, lettings team and income collection team. We have also implemented the initial phase of a Customer Relationship Management (CRM) system to improve customer experience and streamline processes.
- We are continuing to focus on streamlining our procurement practices to reduce our operating costs whilst securing the best value for money through strong contract management.
- We are investing significantly in our IT as part of the BTP to improve information held about customers so that we have a holistic view of their needs and can better design services that meet those needs whilst also reducing business costs. In the future, we aim to improve our online and self-service offer so that customers receive the service they need, when they need it whilst still focussing on improving operating margins.
- Our social investment programme demonstrates its value to customers and the business. This is evidenced by the HACT social value model, which shows £7 of social value is generated for every £1 invested by Origin. HACT is a solutions agency committed to promoting ideas and innovation across the housing sector,

Origin has joined the one year Sector Scorecard pilot supported by the National Housing Federation and Housemark. The scorecard consists of 15 indicators grouped under the headings; Business Health, Development - Capacity & Supply, Effective Asset Management, Outcomes Delivered and Operating Efficiencies. We have adopted these headings for this self assessment. The sector regulator, the Homes & Communities Agency (HCA), is proposing to select five of the indicators to measure efficiency across the sector. The scorecard, when fully developed, will assist us in aligning our resources and assets with our priorities to be as effective as we can in pursuit of our business objectives. This self-assessment is based on the Pilot Sector Scorecard methodology.

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 new 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 in place, which includes emphasis on embedding a culture of VFM in Origin.
- The Executive team reviews business performance and delivery, including a quarterly value for money tracker. The Executive Investment Panel assesses investment options, takes decisions and makes recommendations to the Investment Committee
- Business plans incorporating projects, work stream development and initiatives with VFM embedded within them are prepared annually and incorporated within budgets to deliver the five year plan.
- 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 have a number of resident panels which scrutinise

organisational performance and whether services offer VFM.

- We use Housemark (London benchmark peer group) and other benchmarking 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 Housing Limited ("Origin") and the Group are to provide quality affordable homes and effective landlord services. We also deliver services to meet the needs of residents and Care and Support customers and to build sustainable communities.

Origin is a dynamic and diverse organisation that owns and manages 6,588 properties mainly in 15 Local Authorities in North London and Hertfordshire, including a range of tenure types. The tenure portfolio is detailed below:

Tenure	Units
Social rented general needs	3,862
Intermediate and market rent	996
Supported social rent	295
Retirement social rent	380
Leasehold	524
Shared ownership	421
Commercial	110
	6,588

We provided support services to 3,572 customers in 2016/17 in the following areas:

Tenure	Customers
Retirement housing tenants	404
Supported housing tenants	624
Support to residents through our social investment strategies	639
*Support services to non- residents under contract	1,905
	3,572

*Delivered mainly through our home improvement agency and handyperson service

We are staying true to our original charitable objectives as a community based housing association investing in our homes 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 make the places they live strong communities.
- Supporting those who are vulnerable and have specialist support needs to live fulfilling independent lives.

We continue to provide supported housing services to Origin residents where these services are sustainable and make a positive contribution to overheads; and to non-residents where these make a surplus. We also continue with Social Investment initiatives that support tenancy sustainment and strengthen the business. Our aim is to continue to build as many new homes as we are able, taking account of the risks involved, the availability of suitable sites and finance.

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; and increased business efficiency through improved systems and processes. The BTP spans at least 3 years and also supports delivery of efficiency savings required to fund the gap

created by the July 2015 government budget announcement of rent reduction to March 2020. By investing in our services and people, we expect over time to improve customer satisfaction and strengthen our financial position.

Reduced satisfaction reported in the Survey of Tenants and Resident (STAR) in 2015/16 and further detailed customer feedback analysis have led to the focus of early investment on improving our approach to customer care and communication. We are investing in a Customer Relationship Management Software (CRM) system which will enable 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 2016/17:

- Customer Service training to all our staff and those of our main repairs partner, Gilmartin's. Embedding of this training will support a new culture of accountability and ownership across Origin and enable us to deliver services consistently well.
- Selection of a partner for our CRM, designed workflows and implemented the first phase.
- Continued implementation of Electronic Document Management (EDM) in the business which enables our people to access information wherever they are working.
- Service reviews including; Voids and Lettings, Income management, Commercial management, Leasehold services and service charges to improve efficiency and maximise income
- Implemented process mapping for all our reviews to identify opportunities for improvement in efficiency
- Engaged with our residents and consulted with them on a number of initiatives, including the website, service delivery and how they want us to communicate with them.
- Investment of £3.1m over 3 years from 2015/16 is expected to deliver £2.9m savings per annum from 2019/20, of which £1.6m has been delivered as at March 2016/17.

In 2017/18 we will:

- Implement CRM for a widening range of customer contact
- Enhance our data base to support the customer services centre handling a wider range of enquiries
- Complete the implementation of Electronic Document Management
- Complete 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.
- The launch of a new website which is more intuitive to use and more informative for customers.
- 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

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 the Global Accounts for the sector prepared by the HCA. These provide a general benchmark as they cover all traditional housing associations in England; many of which have different characteristics from Origin and do not have the diversity of services we provide.

	2014/15	2015/16	Global Accounts 2015/16	2016/17	2017/18	2018/19	2019/20
Operating margin	29%	20%	27.20%	32%	30%	34%	32%
Operating margin (social housing lettings)	25%	24%	32%	37%	29%	30%	30%
Gearing	45%	47%	49%	44%	47%	49%	49%
Interest Cover - EBITDA (MRI)	107%	63%	170%	64%	53%	156%	163%

Origin's 2016/17 performance is broadly in line with the 2015/16 Global Accounts figures, with the exception of Interest Cover.

The improvement in operating margin performance when compared to 2015/16 is mainly due to efficiency savings being realised from initiatives within the BTP, largely from organisational reviews and reduced depreciation charges due to a change in methodology. In addition, 2015/16 included an impairment provision for one of our development schemes of £2.5m and a £1.7m charge for the increased cost of funding past service pension deficits. Excluding this impairment charge our operating margin for 2015/16 would have been 25.7%. Our target for 2017/18 is 30% and the initiatives within the BTP are expected to assist us in achieving this target. The decline in the operating margin in 2019/20 reflects an anticipated increased charge arising from an increased deficit in the multi employer pension scheme of which we are a member.

The low Interest Cover - EBITDA (MRI) in the current year and the next year is largely due to increased capitalised maintenance costs arising from estate regeneration, increased investment to ensure we meet Health & Safety requirements and an accelerated programme of general capital maintenance works. We carry out work to identify those properties which are poor performing and we use income from asset disposals to support the funding of regeneration and improvement projects. Expenditure in this area is therefore not solely funded from operating surplus. The accelerated maintenance programme and regeneration works is expected to be completed by March 2018 and consequently a significant improvement in this index is forecast thereafter.

Development – Capacity & Supply

	2014/15	2015/16	Global Accounts 2015/16	2016/17	2017/18	2018/19	2019/20
Units developed (completed)	91	60	N/A	72	80	263	164
Units developed (as a percentage of units owned)	1.40%	1.10%	1.60%	1.10%	1.20%	3.84%	2.35%

We completed the build of 72 homes during 2016/17, (60 completed in 2015/16), with a total cost of £23.8m. In the same year we generated £1.3m surplus from sales, which will be reinvested in our future development programme. We expect the level and structure of funding for new development in coming years to vary significantly and this is illustrated in the table below.

	3 Years to 31 March 2017	%Funding	3 Years to 31 March 2017	%Funding
New homes completed	223		465	
<u>Investment</u>	£m		£m	
New homes	62.9		123.6	
Existing	33.6		26.4	
	96.5		150	
<u>Source of Funding</u>				
Grant	4.3	5%	7.6	5%
Loans	36.9	38%	78.1	52%
	41.2		85.7	
Own resource (Funding)	55.3	57%	64.3	43%

Developing social housing continues to be a challenge. In 2016/17, 29 of the 72 units developed were for rented accommodation and 18 for shared ownership. We continue to develop homes for private outright sale to cross-fund our social housing programme and in the last financial year we developed 16 high value private sale homes and acquired our first market rent scheme of 9 units. Going forward we will continue to develop private outright sale, where possible, alongside shared ownership which is still a popular product in certain parts of London. We will continue to seek alternative funding arrangements so that we can maximise the provision of affordable homes, and in 2017/18 we have signed our first joint venture agreement with two more in the pipeline.

We have also submitted a bid to the GLA under the Homes for Londoners 2016 - 21 programme for 180 homes, which is split between 69 London affordable rented units and 111 shared ownership units. The total scheme costs for this programme are £62m of which £7m is funded by grant (including recycled capital grant)

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 2017/18, we plan to:

- Acquire further S106 sites
- Identify disposal and development opportunities within our own stock
- Implement joint venture schemes
- Explore opportunities to develop for market rent
- Explore opportunities for acting as a managing agent for other landlords
- Optimise funding opportunities with the HCA and GLA

Asset Management

	2014/15	2015/16	Global Accounts 2015/16	2016/17	2017/18	2018/19	2019/20
Return on capital employed (ROCE)	2.75%	2.98%	4.11%	3.14%	2.32%	3.18%	3.94%
Ratio of responsive repairs to planned maintenance	26%	25%	146%	23%	25%	52%	57%
Occupancy	99.63	99.74	N/A	99.36	Not available		

Introduction

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. The debt per property has increased consistently in the last few years, from £41,745 in 2011/12 to £47,110 at the end of 2016/17, reflecting our ongoing leveraging of our asset base to deliver new homes and investment in existing housing stock. By careful application of our properties for security purposes, 20.43% of our properties remain un-charged and available, enabling us to raise additional funds in the future.

Origin has merged the planned maintenance & regeneration teams to form the Stock Investment Team. This new team falls under the Development Directorate to better deliver, asset management, regeneration and planned maintenance services. This will enable us to develop a more proactive approach to our asset management strategy; encompassing strategic decision making on disposals, housing stock retention and investment linked to our development and growth.

During 2016/17, Origin invested £9.5m within its planned maintenance programmes and projects 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 in their homes. This is a substantial increase from previous years (2015/16 - £8m; 2014/15 £4.3m and 2013/14 £4.5m). Some of the funding was derived from asset disposals and the recycling of funds, supported by procurement arrangements that seek to maximise value, demonstrating Origin's commitment to provide high quality housing whilst achieving value for money.

Assessing our assets

We continue to invest 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 decisions taken by the Executive Investment Panel (EIP) are based on proposals made by the Asset Review Group (ARG) who utilise varied data and qualitative information such as demographics to ensure we have a robust approach to disposals and investment.

Origin use a variety of data driven tools to measure the performance of the stock, applying weightings to financial, social and environmental factors. This enables us to assess properties with a negative Net Present Value (NPV) or which are deemed poor performing properties so that these properties can be further investigated with desk-top appraisals. Following this process, the residual properties are then subject to survey and options appraisals, a final report with recommendations is then scrutinised by ARG for assessment and decision. Summaries of decisions are then provided to EIP for final overview. The Stock Investment team, supported by ARG play a key role in delivering Origin's strategic asset performance objectives, improving asset performance and determining which assets should be disposed.

Disposals

In 2016/17, we disposed of 6 underperforming/higher value properties generating a receipt of £2.3m. This receipt is being used to fund our regeneration programme to upgrade certain older estates and support growth of the business via new development.

Reinvestment in existing stock

Despite the almost two-fold increase in Planned Maintenance capital expenditure from £4.5m to £8m in 2015/16 and further increase to £9.5m in 2016/17, staff levels within the team have been maintained at pre-2015 levels. This equates to an efficiency saving of approximately £100k.

Origin's successful 'regenerating our estates' initiative continues to progress well, as well as the component replacement programmes for windows & doors, kitchens & bathrooms and cyclical redecoration works.

The 3-year regeneration of the Sidney Estate successfully met its year 2 targets. The estate consists of 6 blocks of medium-rise apartments. Residents now benefit from new roofs, windows, doors, kitchens & bathrooms, and improved boundary & block security. Three additional estates have been identified for regeneration works, and will benefit from the economies of scale that regeneration works can bring and also from the lessons learnt in delivering the Sidney Estate project.

In 2016 we carried out a Carbon Reduction Options for Housing Managers (CROHM) stock assessment, which provided a detailed assessment of the most cost-effective options for addressing fuel poverty issues and improving SAP scores. This continues to assist our programmes to achieve our target of bringing all homes to at least a D rating by the end of 2017, enabling us to direct resources to tackle fuel poverty amongst our most vulnerable residents. In 2016, a comprehensive update of mechanical and electrical assets, including boilers and low energy lighting in all of our properties has been added to our Keystone stock condition system, which provides us with accurate information to build on and improve the average SAP score for our properties.

We continue to provide a high quality planned maintenance service, as shown by the over 90% resident satisfaction rating for our kitchen and bathroom programme. A number of improvements have also been made to the customer consultation process.

Procurement costs

We have successfully renegotiated two of the existing contracts that we have with one of our main partners for window and door replacement and roof renewal. These contracts were procured via a procurement club, Fusion21, and included a requirement to pay an on cost of between 4 and 5% of the works value. Origin has successfully negotiated to reduce the on-cost to 2%. This will be implemented in the 2017/18 programme.

Cost savings on preliminary costs

Origin made savings of c£100k from locating a main core site compound and management team to a central point within its geographical spread of proposed projects. This has enabled us to operate one site instead of four and employ a single resident liaison officer operating from the central compound.

In 2017/18 we plan to:

- Maximise capital investment in Origin properties that most need it
- Further scrutinise the Origin stock to make informed decisions on best use of our assets
- Exploit existing stock locations and identify potential infill
- Continue our component replacement programmes including windows, roofs and kitchen and bathroom replacement
- Complete the regeneration of the Sidney estate
- Commence the regeneration of other estates
- Procure an OJEU compliant framework for external works
- Meet our income targets for disposals
- Explore the tendering of Consultant services

Outcomes Delivered

	2014/15	2015/16	2016/17
Percentage of respondents very or fairly satisfied with the overall service provided (General Needs & Housing for Older People)	79.4	65	63.2
£s invested for every £ generated - in new housing supply	3.55	0.78	1.16
£s invested for every £ generated - in communities	0.03	0.01	0.02

Investment in new housing supply

All surpluses generated are retained by the group and are used to support ongoing investment. In 2016/17, Origin invested the equivalent of 1.16 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. The decline since 2014/15 is due to the need to reassess our development capacity following the restrictions to future rent increases announced in the government's budget in July 2015 coupled with increased delays in obtaining planning permission for certain sites.

Customer Service & Satisfaction

We monitor resident satisfaction through a number of survey and engagement methods. During this period of change we have seen a decline in our residents' satisfaction which we recognise as not being acceptable. We are working with our residents and using customer insight to make sure we understand their service experience and aspirations. Our residents are now more involved in designing our services and it is anticipated that embedding of new ways of working and utilising more efficient processes will see an improvement in our satisfaction metrics. From our customer feedback we have prioritised three main areas of focus to improve our customer experience and their satisfaction: customer communication, timely resolution of queries and improving our property maintenance services. Our recent transactional repair satisfaction surveys 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 2017/18.

We have continued to define, develop and improve our service offer for residents through our Business Transformation Programme. Residents have seen significant changes to the way in which they access services where we have introduced new ways of working and centralised and digitised customer information so that their enquiry can be resolved by contact centre staff rather than being passed to individual neighbourhood managers.

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 website now provides more customer focused information, is more user-friendly and some enquiries can now be processed through on-line forms. We have seen 7,323 transactions submitted via our online self-service portal - an increase from 1,000 the previous year.

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 at the right time.

In 2017/18 we plan to:

- Implement CRM for all resident contact
- Embed and improve our First Contact Resolution rate
- Reduce inbound calls by encouraging residents to use our improved online services
- Continue to engage with our residents to gain insight into how we can deliver improved Customer Service that meet there needs.
- Work with our contractors to improve the quality of service our residents' experience.

Investment in the community - Social Return on Investment

Origin has a Social Investment Strategy which provides a stable framework within which we are able to invest and support the communities within which we operate with measurable social benefits.

During 2016/17 we have:

- Generated, through services provided by the Community Engagement Team, over £3.4m of social value, as measured by the HACT Social Value Bank, against a cost base of £275,000 for relevant services. The social value model measures the economic value of 'social outcomes' achieved by our support services, for example assisting people to gain employment, improving their health, or reducing levels of debt.
- Leveraged a total of 2,254 volunteer hours to support delivery of our services, and supported our partners with over 300 staff volunteer hours through our new staff volunteering programme. Services such as our Digital Drop-In (to be expanded in 2017/18), run entirely by volunteers; represent an impressive direct saving, when compared to using paid staff to provide this service.
- Through our Financial Support team we have secured for resident £32k in back-dated Housing Benefit and £18k in Discretionary Housing Payment awards; and brought in £17.5k in advance rent payments. Resident income has been maximised by over £105k per year and Housing Benefit claims (going directly to rent accounts) of £366.5k have been successfully made. This is a total of £540k brought in against a team cost of £120k, a return of 4.5 times the cost of the team.
- Supported 40 customers into work with an average sustainment rate of 92%. Supporting our customers into work is one of the core ways we support our customers to maintain their tenancies, and reduce benefit dependency.
- Brought in around £120k in match and in-kind funding, supplementing our Community Engagement budgets and contract income. This represents a wide range of items – from activities delivered to our residents by other organisations, through to free use of buildings to deliver services.
- Launched our new We Are Ageing Better service, developing partnerships and securing over £3k of additional grant funding, and significant match funding of £25k in the form of office and event space, shared services and the delivery of activities. The project has involved 150 older people in Camden and harnessed 386 volunteer hours.
- Continued to work closely with contractors and partners, to make full use of the social value commitments made in key contracts. A highlight of this was a direct payment of £7.5k through a framework agreement, which is being used to develop a new work experience programme which in turn will support our residents into work.
- Although we planned to expand the use of social value recording using the HACT toolkit, this has not been possible due to pressures of service delivery and other organisational changes. We are now exploring other ways of monitoring and recording what we do, acknowledging that whilst the social value measurement is useful – it cannot be applied to all areas.

In 2017/18 we plan to:

- Develop a system of recording the social value commitments that we receive from contractors, allowing us to report more thoroughly on the value and savings these provide.
- Increase the value of social value commitments received during the year and capitalise on commitments in our new gas servicing contracts. Manage recording and monitoring of these in more detail through strong contract management.
- Conduct a thorough analysis of need across the communities where we work, to ensure our resources are targeted where needed most, ensuring maximum value for money from Origin's investment.
- Take a broader look at how we deliver support services to all our residents through the development of a Care & Support strategy, ensuring Value of Money at an organisational level.

Operating efficiencies

The regulator in June 2016 issued standardised measures of costs per unit (CPU). The table below sets out Origin's costs on this standard basis and the average results for the sector derived from the 2015/16 Global Accounts.

HCA STANDARDISED COST PER UNIT	Headline Social Housing CPU	Management CPU	Service Charge CPU	Maintenance CPU	Major Repairs CPU	Other Social Housing Costs CPU
	£'000	£'000	£'000	£'000	£'000	£'000
Sector Level Data						
Upper Quartile	4.30	1.27	0.61	1.18	1.13	0.41
Median	3.55	0.95	0.36	0.98	0.80	0.20
Lower Quartile	3.19	0.70	0.23	0.81	0.53	0.08
Global Accounts 2016	3.97	1.08	0.53	1.01	0.89	0.47
Origin Results						
Origin Group 2020 Unadjusted (Projection)	5.41	0.86	0.90	1.58	0.69	1.39
Origin Group 2020 Adjusted	3.58	0.57	0.59	1.05	0.45	0.92
Origin Group 2019 Unadjusted (Projection)	5.49	0.85	0.89	1.55	0.80	1.40
Origin Group 2019 Adjusted	3.64	0.56	0.59	1.03	0.53	0.93
Origin Group 2018 Unadjusted (Budget)	6.96	0.85	0.91	1.52	2.45	1.23
Origin Group 2018 Adjusted	4.61	0.56	0.60	1.01	1.62	0.81
Origin Group 2017 Unadjusted (Actual)	6.26	0.81	0.91	1.23	2.15	1.15
Origin Group 2017 Adjusted	4.15	0.54	0.60	0.81	1.42	0.76
Origin Group 2016 Unadjusted (Actual)	6.34	1.10	0.85	1.16	2.02	1.20
Origin Group 2016 Adjusted	4.20	0.73	0.57	0.77	1.34	0.79
Origin Group 2015 Unadjusted (Actual)	5.62	1.07	0.69	1.18	1.53	1.15
Origin Group 2015 Adjusted	3.64	0.69	0.45	0.76	0.99	0.75

The adjusted costs per unit (CPU) figures have been calculated based on information provided by the HCA for the higher wage costs of Origin's location and the increased costs imposed by our sheltered and supported housing stock.

The Total Social Housing CPU increased to £6.3k (£4.2k adjusted) in 2016/17 when compared to previous years' trend, largely due to increased capital maintenance and Health & Safety compliance works, which will continue until March 2018. After which, the Total Social Housing CPU is expected to drop to £5.4k (£3.58k adjusted) by 2020. The slight increase in service charge CPU since 2015/16 is due to improved identification of recoverable costs. The level has remained the same for 2017/18 and is not anticipated to change significantly in the future.

Our investment in IT and systems development - to enable the delivery of future savings and improved customer service - has increased Other Costs. Overall, there was a reduction in cost per unit of the combined total of management costs and other social housing costs from £2.3k in 2015/16 to £1.9k in 2016/17.

Analysis of Housemark benchmarking confirms that a key area where our costs are higher than others in our benchmarking group are IT costs. As part of our VFM approach we are reviewing our IT services strategy and have been investigating the reasons for the cost differential. Initial analysis indicates this is due to Origin's diversity of business streams including Care & Support services and the level of investment we are making to improve our efficiency and customer experience.

A further area of high cost as compared to peers is rent arrears and rent collection. This is a high cost but high performance area; Origin have lower quartile costs and upper quartile performance. We have prioritised investment in this area in order to mitigate against the impact of Welfare Reform. The tables below show this improved performance.

Housemark benchmarking for rent arrears and rent collection

Quartile key							
	Upper Quartile	Middle Upper	Median	Middle Lower	Lower Quartile	N/A	No Data
Valid dataset							
Small dataset							

Direct CPP of Rent Arrears & Collection				
Comparator Group Quartiles		Upper	Median	Lower
		75.66	97.94	113.20
Id	Results for Origin Housing Group	Result	Rank	Quartile
27	Origin Housing Group (2015/2016)	135.41	27	
30	Origin Housing Group (2014/2015)	154.16	29	
29	Origin Housing Group (2013/2014)	144.51	29	

Percentage of rent collected (excluding current arrears brought forward)				
Comparator Group Quartiles		Upper	Median	Lower
		100.34	99.89	99.54
Id	Results for Origin Housing Group	Result	Rank	Quartile
1	Origin Housing Group (2015/2016)	102.28	1	
31	Origin Housing Group (2014/2015)	98.86	30	
5	Origin Housing Group (2013/2014)	100.78	5	

Procurement and Efficiency Initiatives

Under our continuing Procurement programme we achieved £830k in total annual savings in 2016/17, compared with the 2015/16 figure of £236k.

2016/17

Method	Annual Savings £'000	Savings over duration of contract (£'000)
Tenders	583	1,351
Care & Support	20	20
IT	110	110
Other	117	-
Total	830	1,481

2015/16

Method	Annual Savings £'000	Savings over duration of contract (£'000)
Tenders	89	879
Utilities	32	56
Care & Support	29	29
IT	86	161
Total	236	1,125

As reflected in the above tables substantial savings have been achieved, in 2016/17 we:

- Implemented the Housing Management Legal Services Framework which started in May 2016.
- Delivered savings of £20k per annum from re-negotiating management contracts within our Care and Support services.

- Achieved IT related savings which were mainly from re-negotiating support costs or terminating certain services that were no longer required.
- Secured other procurement related savings which were largely achieved from change in process methodology, robust contract reviews and re-negotiation within development, Repairs operations and Business Transformation.

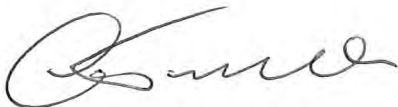
In 2017/18 we plan to:

- Make savings as we re-tender Origin's Insurance (which has an approximate cost of £0.5m per annum)
- Implement a strategic review of Origin's corporate legal services; with spend of £2m over 4 years.
- Implement e-procurement within Origin Housing as required by the Public Contracts Regulations 2015 by 18 October 2018.
- Implement a category management approach to procurement aimed at maximising cost efficiencies.
- Commence new tenders covering grounds maintenance, security, cleaning, planned refurbishment works, cyclical decorations and compliance contracts. With a total value of £6.8m

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 strong governance and scrutiny of our performance and financial reporting, which brings assurance around delivery of our Business Plan and our service vision of doing the right thing first time, every time. We have good relationships with our residents supported by our Community Engagement team. Origin's Board, the Executive, Senior Management Team and our staff are committed, through the Business Transformation Programme, to seek opportunities to streamline our business, make efficiencies and look to deliver similar or better services at less cost.

This self-assessment demonstrates our focus on value for money, good business health and combined with our stringently stress tested business plan, and Fitch "A Stable" credit rating shows that we are financially viable with resilience in our financial model. Our approach to asset management, disposals and reinvestment is robust and twinned with our procurement activities, enables us to maximise investment in building new homes, maintaining the quality of our existing stock, improving our residents' health and well-being and strengthening the communities in which they live and work. Through our business transformation projects we will seek further efficiencies and service improvement through better data and system development to support more streamlined and customer focused processes and digitised and automated working.



Company Secretary
Chris Trebilcock

STRATEGIC REPORT FOR YEAR ENDED 31 MARCH 2017**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 North London and Hertfordshire.

Origin is a dynamic and diverse organisation that owns and manages over 6,500 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; supported housing and care for people who need additional housing-related support or additional care;
- 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 HCA 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:

- 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 Origin residents where they make a positive contribution to overheads; and to non-residents where these make a profit.
- Continue with Social 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 support it. Our 2016 -2021 business plan is based on managing 12,000 homes by 2021.
- 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 and achieve £3m savings annually by 2020.
- Recruit and retain talented people, ensuring staff turnover is less than 20%.

Business model**Accounting policies**

Origin's accounting policies are set out on pages 32 to 37. The accounting policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of interest and development costs, amortisation of capital grant, housing property depreciation, and the treatment of shared ownership properties. The accounts reflect the Homes and Communities Agency's 'Accounting Direction for Private Registered Providers of Social Housing 2015' and have been prepared in accordance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and SORP 2014 – The Statement of Recommended Practice Accounting by registered social housing providers.

Housing properties

At 31 March 2017 Origin owned and managed 6,588 housing properties. This shows an increase on the 2016 figure (6,508), with increases in all tenures other than Rent to Homebuy and residential care homes, as a result of new developments completing in the year. The properties are carried in the statement of financial position at cost (after depreciation) of £697.4m (2016: £683.9m).

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.

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.

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

Capital structure and treasury policy

Our total loan facilities for the year is £406.9m of which, £306.0m were drawn at year end. The undrawn £100.9m debt facility together with the cash in hand of £17.9m at year end provides the necessary funding for our development programme for the next couple of years and exceeds our contractual commitments of £20.6m at 31 March 2017. Origin operates the 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.

Operating environment

The environment in which Origin Housing Limited operates continues to be challenging and uncertain, particularly with the recent development of United Kingdom voting to leave the European Union.

Origin believes that despite the uncertainty in the sector, the Association and Group with a financially robust business plan is well placed to continue to develop more affordable homes and sustain growth while delivering the services our tenants and customers need.

In response to the Government's budget announcement in 2015 of 1% rental income reduction for each of the four years to March 2020, it is the aim of Origin to deliver efficiency savings of £3m by 2020 through service reviews and other initiatives ensuring resources can be reallocated to improve service delivery and the development of new homes.

Over recent years we have focussed on understanding the possible impact of the Government's Welfare Reform and have developed strategies and interventions to minimise the impact on our customers' ability to pay their rent and service charges. We have put in place proactive support programmes to enable 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.

Development and performance during the financial year and financial position at the year end

The financial results for Origin are set out on pages 25 to 31. The following tables and paragraphs highlight key features of Origin's financial position at 31 March 2017.

Origin is pleased to report a consolidated operating surplus before taxation of £18.9m (2016: £15.2m) which together with our surplus on the sale of fixed assets of £5.7m (2016: £7.8m) contributed to the year-end revenue reserves of £221.7m (2016: £178.5m).

The turnover for the year of £59.3m shows a fall from last year's figure of £74.5m, largely as a result of fewer outright sales. However, there has been a slight increase in turnover from social housing lettings in 2016/17 (2017: £44.7m; 2016: £44.3m as shown in Note 2) largely due to increased service charge income.

Cash flow

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.

The cash flow statement (page 29) shows that during the year, Origin has a net cash inflow from operating activities of £18.5m (2016: £37.1m) and made net interest payments of £14.8m (2016: £14.6m). Origin increased its debt by £3.1m (2016: £9.9m increased) in the year.

	2017	2016
	£'000	£'000
For the year ended 31 March		
Group Statement of Total Comprehensive Income		
Turnover	59,329	74,531
Cost of sales	(7,757)	(20,019)
Operating costs	(32,681)	(39,332)
Operating surplus	<u>18,891</u>	<u>15,180</u>
Total comprehensive income for the year	<u>43,133</u>	<u>2,322</u>
For the year ended 31 March		
Group Statement of Financial Position		
Housing properties, net of depreciation	697,418	683,936
Other tangible fixed assets	2,829	2,540
Investments	65,923	49,515
Net current assets	16,034	34,097
Total assets less current liabilities	<u>782,204</u>	<u>770,088</u>
Creditors: Amounts falling due after more than one year	449,158	480,175
Revaluation reserve	111,510	111,400
Revenue reserve	221,536	178,513
Reserves	333,046	289,913
	<u>782,204</u>	<u>770,088</u>
	Units	Units
Housing stock - Social	5,954	5,872
Housing stock - Non-Social	634	636
Total	<u>6,588</u>	<u>6,508</u>

Some significant financial performance measures are provided in the table below:

	2016	2017
Interest cover (operating surplus excluding depreciation divided by interest payable)	2.2	1.9
Liquidity (current assets divided by current liabilities)	2.8	1.4
Gearing (total debt as a % of net book value of housing properties)	47%	44%

The reduction in our Interest cover, Liquidity and Gearing and Liquidity mainly reflects reduced sales activity in 2016/17 and our ongoing development activities.

Future prospects

Housing Associations are now required to focus more on generating improved levels of operational efficiency, with an emphasis on driving increased VFM. Despite the challenging economic environment, we are expected to continue to grow and increase our capacity to build more homes to help meet the Government's self-imposed target of one million new homes by 2020. One key goal within Origin's 2016 -2021 Business Plan is to build 1,300 new homes including Right to Buy (RTB) sales replacements by 2021.

The new Mayor of London has also added further to the policy pressure changes on housing Associations. He has committed to delivering more affordable housing by introducing a 50% affordable housing target for new developments and giving Londoners 'first dibs' on those homes. This demand will require greater levels of flexibility in new builds, but as a social landlord, we see this as a positive initiative.

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 Risk & Scrutiny Committee and ultimately to the Board for the effective fulfilment of these responsibilities.

Risks are recorded in risk registers which are maintained at two levels within the organisation;
 Department Level – Department Risk Registers
 Business Wide Level – Strategic Risk Register

Senior Management Team (SMT) members are responsible for the maintenance of Departmental 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 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 Origin's 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. Failure to comply with applicable law and/or regulations
3. Failure to deliver projected income
4. Failure to control expenditure and/or deliver savings
5. Service quality fails to meet expectations of residents, service users or stakeholders
6. Unable to fulfil organic and/or inorganic growth in our strategic plans
7. Insufficient funds available to deliver strategy
8. Unable to retain and recruit the right calibre of staff
9. IT infrastructure compromised
10. Failure to safeguard the assets of the business"

Financial and non-financial key performance indicators

This is covered within the 'Value for Money assessment' section on pages 7 – 17.

Governance

The Board has ultimate responsibility for the governance and performance of Origin. The Board's central role is to direct and control Origin's work: that 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 is 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

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

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

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 4 September 2017



Steve White
Chair

STATEMENT OF RESPONSIBILITIES OF THE BOARD**Statement of the responsibilities of the Board for the report and financial statements**

The Board members are responsible for preparing the report of the Board, strategic report and the financial statements in accordance with applicable law and regulations.

Cooperative and Community Benefit Society law and social housing legislation require the Board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Association and of the surplus or deficit of the Group for that period.

In preparing these financial statements, the Board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Standards, and the Statement of Recommended Practice Accounting by Registered Social Housing Providers have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Group & Board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the Group and Association, hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice Accounting by Registered Social Housing Providers.

Financial statements are published on the Group and Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the Board members. The Board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORIGIN HOUSING LIMITED

We have audited the financial statements of Origin Housing Limited for the year ended 31 March 2017 which comprise the consolidated and association statements of comprehensive income, the consolidated and association statements of financial position, the consolidated cash flow statement, the consolidated and association statement of changes in reserves, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2017 and of the group's and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

BDO LLP

BDO LLP, statutory auditor
Gatwick, West Sussex
United Kingdom
Date 07/09/17

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	59,329	74,531
Cost of sales	2	(7,757)	(20,019)
Operating expenditure	2	(32,681)	(39,332)
Operating surplus	2 & 4	<u>18,891</u>	<u>15,180</u>
Surplus on disposal of property, plant and equipment	5	5,673	7,759
Interest receivable	6	44	179
Interest and financing costs	7	(12,826)	(11,782)
Movement in fair value of financial instruments		19,836	(11,235)
Movement in fair value of investment properties	12	11,563	2,168
Surplus before taxation		<u>43,181</u>	<u>2,269</u>
Taxation	10	(48)	53
Surplus & total comprehensive income for the year		<u><u>43,133</u></u>	<u><u>2,322</u></u>

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

The notes on pages 32 to 66 form part of these financial statements.

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	53,589	51,516
Cost of sales	2	(3,141)	(3,453)
Operating expenditure	2	(31,696)	(38,047)
Operating surplus	2 & 4	<u>18,752</u>	<u>10,016</u>
Surplus on disposal of property, plant and equipment	5	5,673	7,759
Interest receivable	6	581	721
Interest and financing costs	7	(12,045)	(11,487)
Movement in fair value of investment properties	12	10,039	1,453
Surplus before taxation		<u>23,000</u>	<u>8,462</u>
Taxation	10	-	-
Surplus & total comprehensive income for the year		<u><u>23,000</u></u>	<u><u>8,462</u></u>

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


The notes on pages 32 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017		31 March 2017	31 March 2016 Restated
	Note	£'000	£'000
Fixed Assets			
Property Plant and Equipment			
Housing properties	11	697,418	683,936
Other tangible fixed assets	13	2,829	2,540
		700,247	686,476
Investments			
Commercial properties	12	47,795	38,367
Market rent properties	12	15,350	8,842
Homebuy loans		2,778	2,306
		65,923	49,515
Current assets			
Properties held for sale	15	27,289	21,671
Trade and other debtors	16	6,610	5,524
Cash and cash equivalents	25	17,884	26,269
		51,783	53,464
Creditors: amounts falling due within one year	17	(35,749)	(19,367)
Net current assets		16,034	34,097
Total assets less current liabilities		782,204	770,088
Creditors: amounts falling due after more than one year			
Loans	18	(288,775)	(318,240)
Deferred grant & other capital grant	20	(155,570)	(156,683)
Pension Fund Liability	8	(4,813)	(5,252)
Net assets		333,046	289,913
Capital and reserves			
Non-equity share capital	23	-	-
Revaluation reserve		111,510	111,400
Revenue reserve		221,536	178,513
		333,046	289,913

The notes on pages 32 to 66 form part of these financial statements. The financial statements were approved and authorised for issue by the Board on 4 September 2017 and signed on its behalf by:

Chair 

Board Member 

Secretary 

ASSOCIATION STATEMENT OF FINANCIAL POSITION

As at 31 March 2017		31 March 2017	31 March 2016
	Note	£'000	Restated £'000
Fixed Assets			
Property Plant and Equipment			
Housing properties	11	622,537	615,950
Other tangible fixed assets	13	2,829	2,540
		<u>625,366</u>	<u>618,490</u>
Investments			
Commercial properties	12	40,305	32,268
Market rent properties	12	14,438	8,062
Investment in subsidiaries and associated undertakings	14	14,100	7,422
Homebuy loans		2,778	2,306
		<u>71,621</u>	<u>50,058</u>
Current assets			
Properties held for sale	15	6,506	3,970
Trade and other debtors	16	15,737	13,635
Cash and cash equivalents		15,533	20,008
		<u>37,776</u>	<u>37,613</u>
Creditors: amounts falling due within one year	17	(34,005)	(16,884)
		<u>3,771</u>	<u>20,729</u>
Total assets less current liabilities		<u>700,758</u>	<u>689,277</u>
Creditors: amounts falling due after more than one year			
Loans	18	(253,386)	(263,105)
Deferred grant & other capital grant	20	(151,824)	(153,185)
Provision for Pension Fund Liability	8	(4,813)	(5,252)
		<u>290,735</u>	<u>267,735</u>
Net assets		<u>290,735</u>	<u>267,735</u>
Capital and reserves			
Non-equity share capital	23	-	-
Revaluation reserve		78,408	78,269
Revenue reserve		212,327	189,466
		<u>290,735</u>	<u>267,735</u>

The notes on pages 32 to 66 form part of these financial statements. The financial statements were approved and authorised for issue by the Board on 4 September 2017 and signed on its behalf by:

Chair  Board Member 


Secretary

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2017

	2017	2016
	£'000	£'000
Cashflow from operating activities		
Surplus for the year	18,891	15,180
Tax on surplus on ordinary activities	(48)	53
Depreciation	4,757	7,744
Impairment	(190)	2,500
Amortisation	(1,797)	(1,919)
(Increase)/Decrease in current assets properties for sale	(5,618)	9,624
(Increase)/Decrease in trade and other debtors	(1,086)	841
Increase in trade and other creditors	3,686	1,742
(Decrease)/Increase in provisions	(581)	1,306
Net cash generated from operating activities	<u>18,014</u>	<u>37,071</u>
Cash flow from investing activities		
Proceeds from sale of housing properties	10,284	9,934
Proceeds from sale of investment properties	-	5,321
Payments to acquire and develop housing properties	(19,665)	(28,749)
Payments to acquire other fixed assets	(1,011)	(930)
Payments to acquire and develop investment properties	(5,000)	(646)
Capital grants received	682	462
Net cash from investing activities	<u>(14,710)</u>	<u>(14,608)</u>
Cash flow from financing activities		
Interest received	44	179
Interest paid	(14,834)	(14,786)
Proceeds from the sale of investments	-	-
Loans received	10,594	22,816
Loans repaid	(7,493)	(12,880)
Investment in Money Market	-	-
Net cash from financing activities	<u>(11,689)</u>	<u>(4,671)</u>
(Decrease)/ increase in cash	<u>(8,385)</u>	<u>17,792</u>
Cash and cash equivalents at the beginning of the year	26,269	8,477
Cash and cash equivalents at the end of the year	<u><u>17,884</u></u>	<u><u>26,269</u></u>

The notes on pages 32 to 66 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2017

Group 2017	Revaluation reserve	Revenue reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2016	111,400	178,513	289,913
Surplus and total comprehensive income for the financial year	-	43,133	43,133
	<u>111,400</u>	<u>221,646</u>	<u>333,046</u>
Reserve Transfers:			
Transfer from revaluation reserve to revenue reserve	110	(110)	-
Balance at 31 March 2017	<u>111,510</u>	<u>221,536</u>	<u>333,046</u>
	<u><u>111,510</u></u>	<u><u>221,536</u></u>	<u><u>333,046</u></u>
Group 2016	Revaluation reserve	Revenue reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2015 as previously stated	134,323	153,268	287,591
Reclassification (see Note 29)	(23,223)	23,223	-
Balance at 1 April 2015 restated	<u>111,100</u>	<u>176,491</u>	<u>287,591</u>
Surplus and total comprehensive income for the financial year	-	2,322	2,322
	<u>111,100</u>	<u>178,813</u>	<u>289,913</u>
Reserve Transfers:			
Transfer from revaluation reserve to revenue reserve	300	(300)	-
Balance at 31 March 2016	<u>111,400</u>	<u>178,513</u>	<u>289,913</u>
	<u><u>111,400</u></u>	<u><u>178,513</u></u>	<u><u>289,913</u></u>

The notes on pages 32 to 66 form part of these financial statements.

ASSOCIATION STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2017

Association 2017	Revaluation reserve	Revenue reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2016	78,269	189,466	267,735
Surplus and total comprehensive income for the financial year	-	23,000	23,000
	<u>78,269</u>	<u>212,466</u>	<u>290,735</u>
Reserve Transfers:			
Transfer from revaluation reserve to revenue reserve	139	(139)	-
Balance at 31 March 2017	<u>78,408</u>	<u>212,327</u>	<u>290,735</u>

Association 2016	Revaluation reserve	Revenue reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2015 as previously stated	99,414	159,859	259,273
Reclassification (see Note 29)	(21,474)	21,474	-
Balance at 1 April 2015 restated	<u>77,940</u>	<u>181,333</u>	<u>259,273</u>
Surplus and total comprehensive income for the financial year as previously stated	-	11,470	11,470
Reversal of donation	-	(3,008)	(3,008)
Surplus and total comprehensive income for the financial year restated	<u>77,940</u>	<u>189,795</u>	<u>267,735</u>
Reserve Transfers:			
Transfer from revaluation reserve to revenue reserve	329	(329)	-
Balance at 31 March 2016	<u>78,269</u>	<u>189,466</u>	<u>267,735</u>

The notes on pages 32 to 66 form part of these financial statements.

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

Origin Housing Limited is a public benefit entity 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); 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 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.

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.

Current and deferred taxation

The tax expense for the period comprises of current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity. The current income tax charge is calculated on the basis of UK tax rates and laws that have been enacted by the reporting date.

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.

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

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 and Market Rent 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1 Accounting policies (continued)**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 will subsequently be measured at cost less depreciation.

Any difference between historic 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 in the same manner as for general needs housing properties.

Proceeds of sale of first tranches are accounted for as turnover in the income and expenditure account, with the apportioned cost being shown within operating results as the cost of sale. Subsequent tranches sold ('staircasing sales') are disclosed in the income and expenditure account after the operating result as a surplus or deficit on sale of fixed assets. Such staircasing sales may result in capital grant being deferred or abated and this is credited in the sales account arriving at the surplus or deficit.

The portion of shared ownership property retained or expected to be retained is not depreciated on account of the high residual value. Neither the depreciable amount nor the annual expected depreciation charge for such assets is considered material, individually or in aggregate.

Depreciation of housing properties

Freehold land is 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

No depreciation is charged in the year of acquisition/replacement and a full year of depreciation is charged in the year of disposal. Properties held on leases are amortised over the shorter of life of the lease or their estimated useful economic lives.

Shared ownership properties are depreciated to their residual value. Where the residual value is equal to or higher than the current carrying amount then the depreciation charge may be Nil. Residual values are reassessed at each reporting period end in line with FRS102.

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. Any impairment is charged 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.

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

Social Housing Grant

Social Housing Grant ('SHG') is receivable from 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) has been estimated as 88 years, which takes into account the useful economic lives of the component.

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 any performance related conditions have been met.

Recycled Capital Grant Fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA 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 HCA 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".

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. These sales receipts less eligible expenses are credited to the Disposal Proceeds Fund.

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.

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

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.

Revaluation reserve

The difference between the EUV-SH of housing properties and the historic cost carrying value, arising from electing to use the Deemed Cost transaction provision was credited to the revaluation reserve on transition to FRS102.

Any depreciation charge on the revaluation surplus is transferred from the revenue reserve 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, with the exception of Cancellable embedded option arrangements (CEO), are classified as basic financial instruments as they meet the criteria set out in FRS 102. They are recorded at historic cost as this is considered to be materially the same as amortised cost.

Cancellable embedded option arrangements (CEO) contain embedded derivative optionality, making them complex instruments. They cannot be defined as "basic" financial instruments under FRS 102. As a result, their measurement is determined by Section 12 of FRS 102, which requires these financial instruments to be measured at fair value at each reporting date. Any movement in fair value is recognised as income or expenditure.

Lenders Option Borrowers Options Loans (LOBO) have been reclassified as basic financial instruments in the year following removal of optionality, with previous fair value differences being released.

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.

Qualifying Charitable Donations

A number of the subsidiaries of the Association intend to make qualifying charitable donations of an amount equal to the taxable profits to the Association within 9 months of their year ends. As these amounts represent distributions from subsidiaries they are recorded as income in the year in which they are declared not the year in which the taxable profit is generated. The comparative results have been re-presented to present taxable profits distributed in line with the above policy.

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 assets. 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. At property level the association has also considered impairment based on their assumptions to define cash or asset generating units.
- 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 13)

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. 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

	Group 2017			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	44,677	-	(28,163)	16,514
Other social housing activities				
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)
	<u>5,131</u>	<u>(2,577)</u>	<u>(2,263)</u>	<u>291</u>
Non-social housing activities				
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)
	<u>9,521</u>	<u>(5,180)</u>	<u>(2,255)</u>	<u>2,086</u>
	<u>59,329</u>	<u>(7,757)</u>	<u>(32,681)</u>	<u>18,891</u>
	Group 2016			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	44,261	-	(33,649)	10,612
Other social housing activities				
Shared ownership first tranche sales	5,472	(3,453)	(233)	1,786
Community development	10	-	(398)	(388)
Charges for support services	1,175	-	(1,125)	50
Development activities	-	-	(107)	(107)
	<u>6,657</u>	<u>(3,453)</u>	<u>(1,863)</u>	<u>1,341</u>
Non-social housing activities				
Properties for outright sale	19,729	(16,566)	(214)	2,949
Investment property lettings	2,627	-	(791)	1,836
Leasehold	796	-	(1,112)	(316)
Home improvement agency	461	-	(398)	63
Other (non-housing)	-	-	(1,305)	(1,305)
	<u>23,613</u>	<u>(16,566)</u>	<u>(3,820)</u>	<u>3,227</u>
	<u>74,531</u>	<u>(20,019)</u>	<u>(39,332)</u>	<u>15,180</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Association 2017			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	41,815	-	(27,415)	14,400
Other social housing activities				
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)
Non-social housing activities				
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
Donation received	3,008	-	-	3,008
Other (non-housing)	6	-	-	6
	8,442	(2,000)	(2,030)	4,412
	53,589	(3,141)	(31,696)	18,752

	Association 2016			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	41,438	-	(32,825)	8,613
Other social housing activities				
Shared ownership first tranche sales	5,472	(3,453)	(233)	1,786
Community development	10	-	(398)	(388)
Charges for support services	1,164	-	(1,120)	44
	6,646	(3,453)	(1,751)	1,442
Non-social housing activities				
Properties for outright sale	-	-	-	-
Investment property lettings	2,151	-	(664)	1,487
Leasehold	820	-	(1,112)	(292)
Home improvement agency	461	-	(398)	63
Gift aid received	-	-	-	-
Other (non-housing)	-	-	(1,297)	(1,297)
	3,432	-	(3,471)	(39)
	51,516	(3,453)	(38,047)	10,016

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	2016		2017		
	General needs housing £'000	Supported housing & housing for older people £'000	Key worker / Intermediate housing £'000	Shared ownership £'000	Total £'000
Group					Total £'000
Rent receivable net of identifiable service charges	22,662	3,851	6,224	1,834	34,571
Service charge income	1,984	2,417	91	551	5,043
Net rental income	24,646	6,268	6,315	2,385	39,614
Other income	811	1,044	1,310	101	3,266
Amortisation of housing grant	1,198	270	255	74	1,797
Turnover from social housing lettings	26,655	7,582	7,880	2,560	44,677
Management	(2,593)	(808)	(1,115)	(271)	(4,787)
Service charge costs	(1,912)	(1,767)	(1,266)	(489)	(5,434)
Other cost	(3,299)	(1,539)	(585)	(564)	(5,987)
Routine maintenance	(2,958)	(358)	(390)	-	(3,737)
Planned maintenance	(2,334)	(860)	(433)	-	(3,627)
Rent losses from bad debts	(172)	(130)	(7)	-	(309)
Depreciation of housing properties	(2,595)	(401)	(1,146)	107	(4,035)
Accelerated depreciation	(437)	(29)	(2)	-	(468)
Impairment release/(charge)	137	-	-	53	190
Operating costs on social housing lettings	(16,163)	(5,892)	(4,944)	(1,164)	(28,163)
Operating surplus on social housing lettings	10,492	1,690	2,936	1,396	16,514
Void losses	(329)	(282)	(292)	-	(903)
					(720)
					10,612
					(33,649)
					39,405
					2,937
					1,919
					44,261
					(6,472)
					(5,018)
					(6,037)
					(3,737)
					(3,081)
					(54)
					(6,750)
					-
					(2,500)
					34,948
					4,457

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 £'000	Supported housing for older people £'000	Key worker / Intermediate housing £'000	Shared ownership £'000	2017 Total £'000	2016 Total £'000
Association						
Rent receivable net of identifiable service charges	20,099	3,799	6,224	1,834	31,956	31,636
Service charge income	1,808	2,400	91	551	4,850	4,255
Net rental income	21,907	6,199	6,315	2,385	36,806	35,891
Other income	787	1,044	1,310	101	3,242	3,658
Amortisation of housing grant	1,170	268	255	74	1,767	1,889
Turnover from social housing lettings	23,864	7,511	7,880	2,560	41,815	41,438
Management	(2,581)	(798)	(1,115)	(271)	(4,766)	(6,510)
Service charge costs	(1,867)	(1,766)	(1,266)	(489)	(5,388)	(4,928)
Other cost	(3,326)	(1,536)	(585)	(564)	(6,011)	(6,023)
Routine maintenance	(2,909)	(358)	(390)	-	(3,657)	(3,684)
Planned maintenance	(2,053)	(858)	(433)	-	(3,344)	(2,807)
Rent losses from bad debts	(179)	(130)	(7)	-	(316)	-
Depreciation of housing properties	(2,339)	(398)	(1,146)	107	(3,776)	(6,373)
Accelerated depreciation	(317)	(29)	(2)	-	(348)	-
Impairment release/(charge)	137	-	-	53	190	(2,500)
Operating costs on social housing lettings	(15,434)	(5,873)	(4,944)	(1,164)	(27,415)	(32,825)
Operating surplus on social housing lettings	8,430	1,638	2,936	1,396	14,400	8,613
Void losses	(293)	(282)	(292)	-	(867)	(702)

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	
	2017 No.	2016 No.	2017 No.	2016 No.
Social housing				
General needs housing				
Social	3,510	3,192	3,047	2,726
Affordable	352	297	302	263
Supported housing and housing for older people	640	1,004	631	995
Shared ownership	421	417	407	417
Keyworker housing	978	906	975	906
Rent to homebuy	18	20	18	20
Residential care homes	35	36	35	36
Total managed	5,954	5,872	5,415	5,363
Non-social housing				
Commercial/Right to buy/Leasehold/Market rented	634	636	614	615
Total owned and managed	6,588	6,508	6,029	5,978

The Group owns 60 supported housing units (2016: 57) 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.

4 Operating surplus

This is arrived at after charging/(crediting):

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Depreciation of housing properties	4,035	6,750	3,776	6,373
Accelerated depreciation charge	468	-	348	-
Depreciation of other tangible fixed assets	722	994	722	994
Impairment (release)/provision on housing properties	(190)	2,500	(190)	2,500
Operating lease rentals for office equipment and computers	41	69	41	69
Auditors' remuneration				
- for audit services	67	86	49	72
- for non-audit services	19	14	6	14

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5 Surplus on sale of fixed assets

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Disposal proceeds	9,742	10,275	9,742	10,275
Carrying value of fixed assets	(4,069)	(4,385)	(4,069)	(4,385)
	<u>5,673</u>	<u>5,890</u>	<u>5,673</u>	<u>5,890</u>

Investment Properties

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Disposal proceeds	-	5,321	-	5,321
Carrying value of fixed assets	-	(3,452)	-	(3,452)
	<u>-</u>	<u>1,869</u>	<u>-</u>	<u>1,869</u>
Total surplus on sale of fixed assets	<u>5,673</u>	<u>7,759</u>	<u>5,673</u>	<u>7,759</u>

6 Interest receivable and other income

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Bank interest receivable	43	98	31	88
Other interest receivable	1	81	550	633
	<u>44</u>	<u>179</u>	<u>581</u>	<u>721</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7 Interest payable and similar charges

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Loans and bank overdrafts	14,505	14,482	12,158	12,550
Amortisation of financing costs	310	217	202	183
Pension interest costs	129	9	129	9
	<u>14,944</u>	<u>14,708</u>	<u>12,489</u>	<u>12,742</u>
Interest capitalised on housing properties under construction	(2,118)	(2,926)	(444)	(1,255)
	<u>12,826</u>	<u>11,782</u>	<u>12,045</u>	<u>11,487</u>
	<u><u>12,826</u></u>	<u><u>11,782</u></u>	<u><u>12,045</u></u>	<u><u>11,487</u></u>
Capitalisation rate used to determine the finance costs capitalised during the period	4.64%	4.69%	4.64%	4.69%
	<u><u>4.64%</u></u>	<u><u>4.69%</u></u>	<u><u>4.64%</u></u>	<u><u>4.69%</u></u>

8 Employees

Average monthly number of employees expressed in full time equivalents:

	Group and Association	
	2017	2016
	No.	No.
Administration	55	54
Development	11	11
Housing, support and care	178	195
	<u>244</u>	<u>260</u>
	<u><u>244</u></u>	<u><u>260</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Employees (continued)

Employee costs:

	<u>Group and Association</u>	
	2017	2016
	£'000	£'000
Wages and salaries	8,187	8,508
Social security costs	761	786
Other pension costs	659	692
Employee benefits accrued	9	4
	<u>9,616</u>	<u>9,990</u>

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 2017 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 company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8 Employees (continued)

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.

Reconciliation of opening and closing liability	£'000
Liability at 1 April 2016	5,252
Deficit contributions paid	(610)
Remeasurements - change to assumptions	42
Unwinding of discount factor	129
Liability at 31 March 2017	<u>4,813</u>
	£'000
Interest expenses	129
Remeasurements	42
Cost recognised in income statement	<u>171</u>

Assumptions

1 to 3 Years	1.03%
3 to 5 Years	1.21%
5 to 7 years	1.67%
7 to 10 years	2.23%
10 to 15 Years	2.64%
15 Years +	3.12%

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.

9 Board members, executive directors and senior staff emoluments

Group and Association	Basic salary	Benefits in kind	Pension contr'ns	2017 Total	2016 Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Aggregate emoluments	533	1	93	627	649

Non-executive Board Members received emoluments of £46,358 cumulatively, including £9,983 (2016: £10,184) received by the Chair. This excludes the Chief Executive aggregate emoluments as the highest paid director, which is detailed overleaf. Expenses paid during the year to Board members amount to £3,466 (2016: £50).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Basic salary	Benefits in kind	Pension contr'n's	2017 Total	2016 Total
	£	£	£	£	£
Stephen White	9,983	-	33	10,016	6,017
Anne Bowers	4,500	-	-	4,500	4,500
Dayna Byfield (resigned 31/03/16)	-	-	-	-	4,500
Suzanne Davies (resigned 30/06/16)	1,500	-	-	1,500	4,500
Mash Halai	4,500	-	-	4,500	4,500
Jolyon Griffiths	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	1,402
Julia Porter (appointed 01/10/16)	2,250	-	-	2,250	-
Paul McCann (01/03/17)	375	-	-	375	-
Chris Bond (01/03/17)	375	-	-	375	-
Bryan Ingleby (01/03/17)	375	-	-	375	-
Aggregate emoluments of Board Members (excluding Chief Executive)	46,358	-	33	46,391	47,586

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.

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £116,417 (2016: £124,474). 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	Benefits in kind	Pension contr'n's	2017 Total	2016 Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Aggregate emoluments of highest paid director	116	-	27	143	152

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, excluding pension contributions, was greater than £60,000 in bands of £10,000 is below:

	Group and Association	
	2017 No.	2016 No.
£60,000 to £69,999	7	5
£70,000 to £79,999	-	2
£80,000 to £89,999	1	1
£90,000 to £99,999	-	1
£100,000 to £109,999	2	2
£110,000 to £119,999	1	-
£120,000 to £129,999	-	1
	11	12
	11	12

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 £Nil (2016: £Nil).

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
United Kingdom Corporation Tax				
Current tax on income for the year	48	-	-	-
Adjustments in respect of prior periods	-	(56)	-	-
Current tax charge/(credit) for the period	48	(56)	-	-
Deferred tax				
Origination and reversal of timing differences	-	3	-	-
	48	(53)	-	-
	48	(53)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10 Tax on surplus on ordinary activities (continued)

Factors affecting the tax charge for the period

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Surplus for the year before taxation	43,181	2,269	23,000	11,470
Corporation tax at 20% (2016: 20%)	8,636	454	4,600	2,294
<i>Effects of:</i>				
Income from exempt activities	(8,602)	(2,711)	(4,600)	(2,294)
Amounts charged/(credited) directly to SOCR or otherwise transferred	3,967	-	-	-
Current tax charged/(credited) directly to SOCR	(1,537)	-	-	-
Accelerated capital allowances	-	3	-	-
Adjustments in respect of prior years	-	(56)	-	-
FRS 102 revaluation	-	(40)	-	-
Adjust closing deferred tax to average rate	(203)	-	-	-
Deferred tax asset not recognised	(2,213)	2,297	-	-
	48	(53)	-	-

The Group had a deferred tax liability of £3k as at 31 March 2017 (2016: £3k) in relation to accelerated capital allowances.

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
Cost					
At 1 April 2016	646,243	25,482	49,589	17,414	738,728
Transfer to investment properties	(859)	-	-	-	(859)
Reclassification to private sales	-	(3,715)	-	-	(3,715)
Reclassification to shared ownership	(427)	-	427	-	-
Additions – new properties/ construction	-	9,571	-	4,161	13,732
Additions – works to existing properties	13,822	-	-	-	13,822
Schemes completed	14,509	(14,509)	4,452	(4,452)	-
Transfer from/(to) current assets	-	-	(128)	-	(128)
Disposals	(1,448)	-	(3,127)	-	(4,575)
Disposals - impaired assets	-	(3,129)	-	(131)	(3,260)
At 31 March 2017	671,840	13,700	51,213	16,992	753,745
Accumulated depreciation and impairment					
At 1 April 2016	50,877	1,799	1,415	701	54,792
Depreciation charge	5,161	-	-	-	5,161
Reclassification to shared ownership	(14)	-	14	-	-
Impairment release	-	(137)	-	(53)	(190)
Disposals	(1,019)	-	(107)	-	(1,126)
Disposals - impaired assets	-	(1,662)	-	(648)	(2,310)
At 31 March 2017	55,005	-	1,322	-	56,327
Net book value					
At 1 April 2016	595,366	23,683	48,174	16,713	683,936
At 31 March 2017	616,835	13,700	49,891	16,992	697,418

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
Cost					
At 1 April 2016	594,774	17,821	48,742	6,663	668,000
Transfer to investment properties	(859)	-	-	-	(859)
Reclassification to private sales	-	(3,715)	-	-	(3,715)
Reclassification to shared ownership	(427)	-	427	-	-
Additions – new properties/ construction	-	6,019	-	4,598	10,617
Additions – works to existing properties	11,743	-	-	-	11,743
Schemes completed	12,507	(12,507)	2,497	(2,497)	-
Transfer from/(to) current assets	-	-	(128)	-	(128)
Disposals	(1,328)	-	(3,128)	-	(4,456)
Disposals - impaired assets	-	(3,124)	-	(2,215)	(5,339)
At 31 March 2017	616,410	4,494	48,410	6,549	675,863
Accumulated depreciation and impairment					
At 1 April 2016	48,126	1,799	1,424	701	52,050
Depreciation charge	4,782	-	-	-	4,782
Reclassification to shared ownership	(14)	-	14	-	-
Impairment charge in the year	-	(137)	-	(53)	(190)
Disposals	(899)	-	(107)	-	(1,006)
Disposals - impaired assets	-	(1,662)	-	(648)	(2,310)
At 31 March 2017	51,995	-	1,331	-	53,326
Net book value					
At 1 April 2016	546,648	16,022	47,318	5,962	615,950
At 31 March 2017	564,415	4,494	47,079	6,549	622,537

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:

	2017	2016
	£ '000	£ '000
Freehold	471,428	473,415
Long leasehold	225,990	210,521
At 31 March	<u>697,418</u>	<u>683,936</u>

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

	2017	2016
	£ '000	£ '000
Historic cost	650,744	635,925
Accumulated depreciation	(42,360)	(43,996)
At 31 March	<u>608,384</u>	<u>591,929</u>

Interest capitalisation by the Group

	2017	2016
	£ '000	£ '000
Interest capitalised in the year	2,118	2,926
Cumulative interest capitalised	10,316	7,390
At 31 March	<u>12,434</u>	<u>10,316</u>

Expenditure on works to existing properties by the Group:

	2017	2016
	£ '000	£ '000
Amounts capitalised	13,822	11,885
Amounts charged to income statement	3,627	3,081
At 31 March	<u>17,449</u>	<u>14,966</u>

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 out 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 2017 of letting properties under the cost model would be £608,384k compared with £679,418k 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.

The Association conducted a review of its properties in March 2017 to identify any which had suffered a diminution in value as a consequence of the reduction in certain regulated rents announced by the government in July 2015. No Impairment was identified as a consequence.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 Tangible fixed assets – investment properties

Group	Commercial	Market Rent	Total	Total
	2017	2017	2017	2016
	£ '000	£ '000	£ '000	£ '000
Valuation				
At 1 April 2016	38,367	8,842	47,209	47,056
Additions	749	2,765	3,514	721
Transfer from housing properties	-	859	859	514
Disposals	-	-	-	(3,250)
Revaluation	8,679	2,884	11,563	2,168
At 31 March 2017	47,795	15,350	63,145	47,209

Association	Commercial	Market Rent	Total	Total
	2017	2017	2017	2016
	£ '000	£ '000	£ '000	£ '000
Valuation				
At 1 April 2016	32,268	8,063	40,331	40,967
Additions	749	2,765	3,514	646
Transfer from housing properties	-	859	859	514
Disposals	-	-	-	(3,250)
Revaluation	7,288	2,751	10,039	1,453
At 31 March 2017	40,305	14,438	54,743	40,330

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

The surplus on revaluation of investment property arising of £11,563k (Association £10,039k) has been credited to the Statement of Comprehensive Income for the year.

The historic cost of the Group's investment properties is £29,998k for commercial properties and £3,636k for market rent properties.

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
Cost			
At 1 April 2016	3,024	9,904	12,928
Additions	1	1,010	1,011
At 31 March 2017	3,025	10,914	13,939
Accumulated depreciation			
At 1 April 2016	2,437	7,951	10,388
Charged in year	8	714	722
At 31 March 2017	2,445	8,665	11,110
Net book value			
At 1 April 2016	587	1,953	2,540
At 31 March 2017	580	2,249	2,829

14 Investment in subsidiaries

Association	2017 £ '000	2016 £ '000
Investment in Origin Properties Limited	14,050	7,372
Investment in other subsidiaries	50	50
	14,100	7,422

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14 Investment in subsidiaries (continued)

The Association owns the following shares:

Number of Shares	Company	Percentage of issued share capital
1 ordinary £1 share	Origin Finance Limited	100%
4 ordinary £1 shares	Origin Properties Limited	100%
1 ordinary £1 share	Origin Housing Developments Limited	100%
1 ordinary £1 share	Origin Housing 2 Limited	100%
50,000 ordinary £1 shares	Origin Finance 2 Plc	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 provided management services for Origin Properties Limited and Origin Housing 2 Limited. It also provided loans to Origin Properties Limited in the year bringing the total advanced to £14,050k (2016: £7,372k).

15 Properties for held sale

	Group		Association	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Properties under construction	18,159	19,460	6,425	3,920
Capitalised interest (properties under construction)	2,355	2,211	81	50
Completed properties	6,775	-	-	-
	<u>27,289</u>	<u>21,671</u>	<u>6,506</u>	<u>3,970</u>
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16 Debtors

	Group		Association	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Rent and service charges receivable	4,361	3,041	4,209	2,517
Provision for bad and doubtful debts	(502)	(438)	(495)	(415)
	<u>3,859</u>	<u>2,603</u>	<u>3,714</u>	<u>2,102</u>
Commercial rent and service charge arrears	202	406	66	320
Amounts due from Group companies	-	-	9,489	8,850
Prepayments and accrued income	2,084	1,641	2,004	1,641
Other debtors	465	874	464	722
	<u>6,610</u>	<u>5,524</u>	<u>15,737</u>	<u>13,635</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Creditors: amounts falling due within one year

	Group		Association	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Loans (note 19)	18,749	4,711	18,749	3,888
Deferred financing costs (note 19)	(304)	(289)	(217)	(127)
Trade creditors	816	1,381	359	986
Grants received in advance	165	172	165	172
Amounts owed to Group companies	-	-	800	871
Recycled capital grant fund (note 21)	675	243	675	243
Disposal proceeds fund (note 21)	-	-	-	-
Corporation tax	48	-	-	-
Other taxation and social security	68	267	157	245
Leaseholder sinking funds	1,121	1,023	1,121	1,023
Accrued interest	2,779	2,798	2,200	2,206
Capital accrual	5,589	465	4,145	465
Deferred income	188	494	188	367
Provision (note 22)	170	183	170	183
Other creditors and accruals	5,685	7,919	5,493	6,362
	<u>35,749</u>	<u>19,367</u>	<u>34,005</u>	<u>16,884</u>

18 Creditors: amounts falling due after more than one year

	Group		Association	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Loans (note 19)	291,208	301,980	251,208	261,980
Financial instruments at fair value (note 19)	(3,914)	15,922	-	-
Deferred financing costs (note 19)	(1,805)	(1,652)	(1,105)	(865)
Recycled capital grant fund (note 21)	2,863	1,990	2,863	1,990
Disposal proceeds fund (note 21)	420	-	420	-
Corporation tax	3	-	-	-
Total Loans	<u>288,775</u>	<u>318,240</u>	<u>253,386</u>	<u>263,105</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Debt

	Group		Association	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Due within one year				
Bank loans	18,749	4,711	18,749	3,888
	18,749	4,711	18,749	3,888
Deferred financing costs	(304)	(289)	(217)	(127)
	18,445	4,422	18,532	3,761
Due after more than one year				
Bank loans	241,190	251,937	121,190	116,937
Financial instruments at fair value	(3,914)	15,922	-	-
Other loans	18	43	18	43
Bond Issue	50,000	50,000	-	-
Loans from subsidiaries	-	-	130,000	145,000
	287,294	317,902	251,208	261,980
Deferred financing costs	(1,805)	(1,652)	(1,105)	(865)
	285,489	316,250	250,103	261,115
Between one and two years	11,637	18,749	11,637	18,749
Between two and five years	54,209	74,871	54,209	74,871
In five or more years	221,448	224,282	185,362	168,360
	287,294	317,902	251,208	261,980
Deferred financing costs	(1,805)	(1,652)	(1,105)	(865)
	285,489	316,250	250,103	261,115
Total debt				
Loans	306,043	322,613	269,957	265,868
Deferred financing costs	(2,109)	(1,941)	(1,322)	(992)
	303,934	320,672	268,635	264,876

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 Debt (continued)

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 1.63% to 12.46% (2016: 0.89% to 12.46%).

The interest of 12.46% relates to £1.7m which is repayable in March 2039.

Under FRS 102, financial liabilities, including loans, which are classified as non-basic financial instruments are measured at fair value through the profit or loss. Consequently, this has led to a movement in fair value of £(502)k in the current year.

20 Deferred government grant

	Group		Association	
	2017	2016	2017	2016
	£ '000	£ '000	£ '000	£ '000
At 1 April	156,683	159,616	153,185	156,893
Grant received in the year	1,456	707	1,328	180
Grant repaid in the year	-	(427)	-	(427)
Transfer from RCGF	265	42	265	-
Homebuy grant adjustment	591	-	591	-
Homebuy redemption	(119)	(64)	(119)	(64)
Recycled on disposals	(1,509)	(1,272)	(1,509)	(1,272)
Transferred to subsidiary	-	-	(150)	(236)
Amortisation	(1,797)	(1,919)	(1,767)	(1,889)
At 31 March	155,570	156,683	151,824	153,185

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21 Recycled capital grant fund & disposal fund

Group and Association	Recycled Capital Grant Fund		Disposal Proceeds Fund	
	2017	2016	2017	2016
	£ '000	£ '000	£ '000	£ '000
At 1 April	2,233	939	-	-
Grants recycled / net sale proceeds recycled	1,570	1,336	420	-
Purchase/ development of properties	(265)	(42)	-	-
At 31 March	3,538	2,233	420	-
Disclosed as:				
Amounts falling due within one year (note 17)	675	243	-	-
Amounts falling due after more than one year (note 18)	2,863	1,990	420	-
	3,538	2,233	420	-
Amount due for repayment to the Homes and Communities Agency and Greater London Authority	-	-	-	-

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. Further details are provided in note 8.

Other provisions for liabilities and charges

	Restructure	Litigation	Total
	£ '000	£ '000	£ '000
Provision at 1 April 2016	43	140	183
Insurance claim	-	30	30
Restructure of Care & Support Directorate	(43)	-	(43)
At 31 March 2017 (note 17)	-	170	170

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	2017	2016
	£	£
Shares of £1 each issued and fully paid		
At 1 April	32	37
Shares issued during the year	4	2
Shares surrendered during the year	(3)	(7)
	<hr/>	<hr/>
At 31 March	33	32
	<hr/> <hr/>	<hr/> <hr/>

24 Financial commitments

Capital expenditure commitments were as follows:

	Group		Association	
	2017	2016	2017	2016
	£ '000	£ '000	£ '000	£ '000
Expenditure contracted for but not provided in the accounts	20,577	18,472	15,396	5,035
Expenditure authorised by the Board, but not contracted	98,921	79,026	9,609	4,251
	<hr/>	<hr/>	<hr/>	<hr/>
	119,498	97,498	25,005	9,286
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The above commitments will be financed primarily through borrowings (£120m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Financial commitments (continued)

Commitments under operating leases were as follows:

	Group		Association	
	2017 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Operating lease payments receivable:				
- Within one year	422	34	382	34
- One to five years	418	632	415	535
- More than five years	25	71	25	71
	<u>865</u>	<u>737</u>	<u>822</u>	<u>640</u>
Operating lease payments due:				
- Within one year	28	41	28	41
- One to five years	4	29	4	29
	<u>32</u>	<u>70</u>	<u>32</u>	<u>70</u>

25 Financial Instruments

	2017 £'000	2016 £'000
Financial assets		
Financial assets measured at historic cost		
Trade receivables	6,610	5,524
Cash and cash equivalents	17,884	26,269
Total financial assets	<u>24,494</u>	<u>31,793</u>
Financial liabilities		
Financial liabilities measured at historic cost		
- Trade creditors	17,307	14,963
Financial liabilities measured at amortised cost		
- Loans payable	297,848	259,750
Derivative financial instruments	6,086	60,922
Total financial liabilities	<u>321,241</u>	<u>335,635</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Contingent liabilities

The Group (and Association) had contingent liabilities of £3,941k in relation to on-going disputes (2016: £4,452k). This includes £3,914k (2016: £4,417k) 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 £ '000	2016 £ '000	2017 £ '000	2016 £ '000
Floating rate	53,233	69,430	53,233	65,715
Fixed rate	252,810	253,183	216,724	200,153
Total	306,043	322,613	269,957	265,868

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 5.48% (2016: 5.46%) and the average period for which it is fixed is 18 years (2016: 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 19.

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:

	2017 £ '000	2016 £ '000
Expiring between two to five years	52,000	75,000

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 amounts charged for the year was £1,164 (2016: £1,038) and the leaseholder had an arrears balance of £87 (2016: £3) at the 31 March 2017.

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

Intra-Group loans

Entity granting loan	Entity receiving loan	2016 £'000	Movement £'000	2017 £'000
Origin Housing Ltd	Origin Properties Ltd	7,372	6,678	14,050
Origin Housing 2 Ltd	Origin Properties Ltd	6,632	357	6,989
Origin Housing 2 Ltd	Origin Housing Development Ltd	10,089	(2,047)	8,042
Origin Properties Ltd	Origin Housing Development Ltd	1,480	7,206	8,686
Origin Finance Ltd	Origin Housing Ltd	135,000	-	135,000
Origin Finance 2 Plc	Origin Housing Ltd	10,000	-	10,000
Origin Finance 2 Plc	Origin Housing 2 Ltd	40,000	-	40,000
		210,573	12,194	222,767
		210,573	12,194	222,767

Payable to Origin Housing Ltd by subsidiaries:	Management charges		Interest charges	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Origin Properties Ltd	154	26	550	633
Origin Housing Development	-	-	378	519
Origin Finance Ltd	-	-	-	-
Origin Finance 2	-	-	-	-
Origin Housing 2	715	753	-	-
	869	779	928	1,152
	869	779	928	1,152

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28 Related parties (continued)

	Management charges		Interest charges	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Payable by Origin Housing Ltd to subsidiaries:				
Origin Properties Ltd	-	-	-	-
Origin Housing Development	-	-	-	-
Origin Finance Ltd	15	15	6,075	6,091
Origin Finance 2	2	2	475	477
Origin Housing 2	-	-	-	-
	17	17	6,550	6,568
	17	17	6,550	6,568

*Subsidiary company details are in Note 14 Investment in subsidiaries.

29 Reserves

On the conversion of the financial statements to FRS102 £23.2m (Association £21.5m) of the surplus arising on the valuation of Investment Properties was credited to the Revaluation Reserve rather than the Revenue Reserve. The restatement of reserves in the Statements of Changes in Reserves corrects this position.

30 Post balance sheet events

There are no post balance sheet events.

31 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.