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**ORIGIN HOUSING LIMITED**

**ANNUAL REPORT AND ACCOUNTS**

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**YEAR ENDED 31 MARCH 2016**

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CONTENTS	PAGE
BOARD MEMBERS, EXECUTIVE DIRECTORS, ADVISORS AND BANKERS	2
REPORT OF THE BOARD	3
STRATEGIC REPORT	19
STATEMENT OF RESPONSIBILITIES OF THE BOARD	24
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ORIGIN HOUSING LIMITED	25
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	26
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME	27
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	28
ASSOCIATION STATEMENT OF FINANCIAL POSITION	29
CONSOLIDATED CASH FLOW STATEMENT	30
CONSOLIDATED STATEMENT OF CHANGES IN RESERVES	32
ASSOCIATION STATEMENT OF CHANGES IN RESERVES	32
NOTES TO THE FINANCIAL STATEMENTS	323

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

Steve White (co-opted April 2015 and appointed as Chair of Board August 2015)

Colin Sherriff (resigned as Chair and as Board Member August 2015)

**Vice Chair**

Nicky Wilden

**Other Members**

Karen Wilson

Dayna Byfield (resigned 31 March 2016)

Suzanne Davies (resigned 30 June 2016)

Jolyon Griffiths

Anne Bowers

Mash Halal

Mary Gibbons

Stephen Mutton (appointed April 2015)

Alison Lowton (resigned April 2015)

Gordon Wright (appointed December 2015)

**Chair of Audit & Risk Committee**

Suzanne Davies (until February 2016)

Gordon Wright (from February 2016)

**Chair of Governance Committee**

Nicky Wilden

**Chair of Investment Committee**

Jolyon Griffiths

**Executive Directors****Chief Executive**

Karen Wilson

**Director of Finance & Company Secretary**

Chris Trebilcock

**Director of Development**

Gareth Jones

**Housing Services Director**

Manpreet Dillon (resigned 30 June 2016)

**People Services Director**

Cathy McCarthy

**Registered office**

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

**Registered numbers**

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 & Hamlins  
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 2016**

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

**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 19 to 23.

**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 £2,322k (2015: £(7,541)k), the year-end reserves of the Group amounted to £289.9m (2015: £287.6m).

**Donations**

The Group did not make any donations during this or 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 £107.5k (2015: £10.5k) relating to 10 (2015: 4) 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 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. In the prior year, the Chair and Chief Executive received remuneration throughout the year, while other members received remuneration from 1 October 2014.

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.

**Effects of material estimates and judgements upon performance**

The Group has incurred an impairment charge of £2.5m in the year as a consequence of the building works on one development site having to be demolished following the contractors being placed in administration. The estimate of the impairment charge is dependent on the projected proceeds arising on the disposal of the site. Appropriate independent advice from a firm of independent certified surveyors was obtained in arriving at the projected sales proceeds.

**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 2012' 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 mechanisms of resident involvement. Examples include the Scrutiny panel and service specific panels. As at 31 March 2016 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 bi-annual reviews provided to the Investment Committee, together with updates on the current position included in the quarterly management accounts provided to the Board.

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

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 24 August 2016 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 2015/16", is an integral part of the Report of the Board

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**VALUE FOR MONEY (VFM) SELF ASSESSMENT 2015/16****Introduction by the Chair of the Origin Housing Limited Board**

Value for Money (VFM) is a very important part of Origin's business. It supports our vision of 'Great Homes', 'Positive People' and 'Strong Communities', our business plan and our overall day-to-day work. 'Adding value' is one of our five 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, planning and project management. Through tools like our asset management software and participation in benchmarking Groups, Origin is committed to providing services which achieve high operational performance and customer satisfaction, while controlling and where possible reducing costs. This is for the benefit of our customers and to strengthen the business so we can deliver more affordable homes.

The Board considers that this report accurately and fairly reflects the business and comments:

- We have focussed 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 reduction in operating surplus over the next four years, of which our 2016/17 budget has identified savings of £1.3m.
- We are focussing on improving on those areas where we can make most impact because of the scale and significance of the activities e.g. customer services, responsive repair service, income collection, use of our assets and staff engagement. A three year Business Transformation Programme (BTP) has been put in place to ensure that services are run in a more efficient and effective manner.
- In addition, we are continuing to focus on procurement and on our investment in IT as part of the BTP to reduce service costs, improve our digital offer and deliver service quality.
- Our social investment programme demonstrates its value to customers and the business. This is evidenced by the HACT social value model, which shows £6 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

In June 2016, the Homes & Communities Agency (HCA) issued a series of documents setting out their approach to value for money together with standardised measures of costs per unit coupled with the results of regression analysis which provides some explanation of the cost variability within the sector. Within this self assessment, we set out Origin's costs per unit using the standardised methodology. Over the coming months the Board will be seeking to understand the reasons for Origin's variation from the median for the sector.

**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 that highlight operational performance
- An overall VFM strategy is in place, agreed by the Board, which includes emphasis on a culture of VFM in Origin.
- The Executive team reviews business performance and delivery, including value for money elements, monthly. The Executive Investment Panel assesses investment options, takes decisions and makes recommendations to the Investment Committee
- Annual business planning takes place to drive the five year plan and VFM is embedded in the projects and key workstreams agreed each business year
- The Senior Management team has overall responsibility for the day-to-day work driving value for money, including the management of procurement and the control and effectiveness of our property assets.
- The Resident Scrutiny Panel selects areas of particular significance to residents to investigate in terms of VFM and reports back to residents annually.

**Origin's Business Transformation Programme**

In April 2015, Origin devised a Customer Service Strategy and a plan for investment in services that would: provide digital service options for customers; improve consistency of service delivery; strengthen the data and information and reporting available to staff; and increase business efficiency through improved systems and processes.



The Government's budget in July 2015 introduced 4 years of rent cuts as a consequence of which Origin needs to reduce operating costs and increase income by £3m by 2020. In light of this the investment plans are being accelerated and include additional spend on IT of £1.2m over the next 3 years.

In addition, a disappointing Survey of Tenants and Resident (STAR) results in 2015/16 and further detailed customer feedback analysis have led to the focus of early investment on better, more robust customer care and communication (for example only 67% of customers were satisfied with the way they were kept informed).

In 2015/16 we:

- Rolled out customer service training to all our staff and our repairs partner.
- Embedded of this training will support a new culture of accountability and ownership across Origin to enable us to deliver services consistently well.
- Selected a Customer Relationship Management Software (CRMS)
- Implemented Electronic Document Management (EDM) in parts of the business
- Launched a new website
- Undertook 3 major service reviews
- Implemented Lean Thinking process mapping

In 2016/17 we intend to:

- Implement CRM for all customer contacts
- Introduce a new knowledge system to support the customer services centre handling a wider range of enquiries
- Complete EDM
- Provide more services on-line
- Provide more digital tools to improve staff efficiencies
- Conduct further service reviews

Future work that integrates our systems more and provides opportunities for digitised and automated working will present opportunities for further efficiencies and savings.

## Return on assets

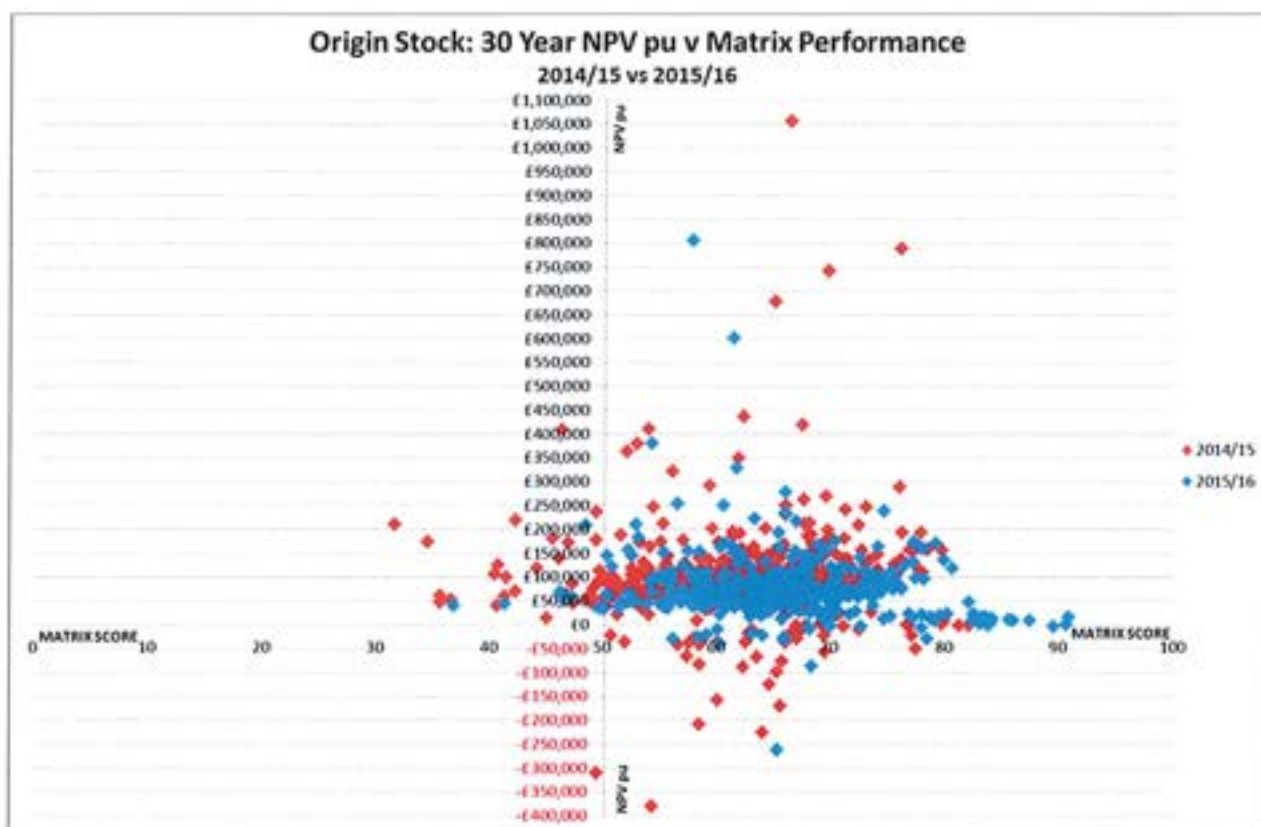
### Introduction

A key component of deriving value from our property asset base is to provide 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 £47,119 at the end of 2015/16, reflecting our ongoing leveraging of our asset base to deliver new homes and investment in existing housing stock. During 2015/16, Origin secured new facilities of £30m from Danske Bank and a further £4.1m from Lloyds. This was to enable us to fulfil our commitment of delivering 200 new properties annually. By careful application of our properties for security purposes 24% of our properties remain un-charged and available, enabling us to raise additional funds in the future.

We have within 2015/16 delivered on our promise to improve our asset management matrix software. The changes and additions during the year have increased the detail available for analysis and have helped to build the priorities for our regeneration programme and our decisions on conversions and disposals, reflected in the 2015/16 deliverables.

The matrix applies a weighting and enables users to filter on those property groups with a negative NPV and/or an asset matrix score of less than 50. These are our current triggers which form the basis for identifying any under performing properties for future investigation.

The scattergram below shows the relative performance of Origin stock in 2014/15 and 2015/16.



During 2015/16, Origin worked on 39 asset groups comprising 231 dwellings that were underperforming. Performance of these dwellings negatively influences the NPV and matrix score for the stock as a whole. The Asset Review Group (ARG) have a responsibility to assess and make a decision on what the best course of action is for any identified underperforming stock based on Asset Management Matrix results. Performance to date indicates that we have reduced underperforming properties from 39 asset groups to 28 asset groups. The reasons behind the properties moving out of the underperforming category is largely due to conversion to affordable or market rent, management improvements, disposing of properties (see section below) and improvements in data collection and analysis.

In order to support our development and regeneration activities, we met our disposal target for 2015/16 (see below). We are confident of meeting our 2016/17 disposal targets (£3.7m) while ARG supported by matrix data will play a key role in improving asset performance and determining which assets should be disposed.

#### Improving the performance of our assets

##### Disposals

In 2015/16 we disposed of four underperforming properties generating a receipt of £2.2m. This receipt is being used to fund our regeneration programme to upgrade certain older estates. A further fifteen units that have been identified by the Asset Management Matrix are undergoing options appraisals to assess their suitability for sale or market rent.

##### Conversions

We converted 25 temporary accommodation units to provide 55 units to house young people who have been designated as at risk. These conversions maintain Origin's strong commitment to providing services to people who need extra support to live independently and fulfil their potential.

We also converted five properties to market rent as part of a programme to convert 75 properties to market rent over the next three years, to part fund our development programme.

##### Reinvestment in existing stock

During 2015/16, we spent £12.1m on capital maintenance (2014/15 - £8.4m; 2016/17 Target - £11.2m).

We replaced 425 boilers and 200 kitchens and bathrooms. The boiler works satisfied the requirements of a low-cost loan provided by the European Investment Bank. The overall £15.84m investment in planned maintenance also included external decorations, window replacements, roofs, fire safety works and other health and safety related works.

The regeneration of the Sidney Estate continues where the residents are benefitting from improved boundary security, new windows, new roofs to some of the blocks, new front doors and new kitchens and bathrooms.

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 will assist our future programmes to achieve our target of bringing all homes to at least a "D" rating by 2017 and enabling us to direct resources in tackling fuel poverty amongst our most vulnerable residents.

The average customer satisfaction with the planned maintenance service was 74% for the 2015/16 year, which is under the target of 90%. We have reviewed and made improvements to the customer consultation process in the latter part of the year.

In 2016/17 we plan to:

- Use the Asset Management Matrix to identify further poorly performing assets that can be considered for disposal
- Identify schemes where we can build additional storeys on lower rise blocks to lever in additional capital and diversify tenure
- Continue the conversion of a number of homes previously let as temporary accommodation into a supported housing scheme for young people at risk
- Continue our component replacement programme including the window renewal. We will continue to deal with kitchen and bathroom replacement on a block by block basis
- Continue the regeneration of the Sidney Estate

#### Development Activities

We completed the build of 60 homes during 2015/16 (in 2014/15 there were 91 homes completed), with the total cost of £17.7m. In the same year we generated a £5.1m surplus from sales, which will be reinvested in our future development programme.

There will be a significant shift in the funding of new developments over the coming years, as illustrated in the table below.

	3 Years to 31 March 2016	3 Years to 31 March 2019
New homes completed	390	578
<u>Investment</u>	£m	£m
New homes	85.7	156.9
Existing	28.7	27.9
	<u>114.4</u>	<u>184.8</u>
<u>Source of Funding</u>		
Grant	9.3	10.3
Loans	51.2	84.3
	<u>60.5</u>	<u>94.6</u>
Own resource (Funding)	<u>53.9</u>	<u>90.3</u>
	47%	49%

Developing rented social housing will continue to be challenging as the Government withdraws grant funding with the HCA now only promoting shared ownership. It is for this reason that Origin will continue to develop homes for private outright sale to fund social housing. Origin will enter into Joint Ventures (JV) on its largest schemes which will ensure that the risks and returns are shared with our development partners. The first of these JVs will be up and running in the Autumn. We will also continue to develop shared ownership as this continues to be a much in demand product particularly in London. During the year we achieved over £275k in savings via the Connected Partnership with two other London based housing Associations through the framework arrangements for procuring consultant services at competitive fees, sharing key programme management staff and jointly procuring training and other services.

Origin has been awarded £10.3m by the GLA and HCA in grant funding for the 3 years to March 2019 to deliver 187 affordable, 228 shared ownership, and 163 private homes (total 578 homes) in that time.

In 2016/17 we plan to;

- Continue to acquire S106 sites
- Continue to identify development opportunities within our own stock
- Implement joint ventures for two major schemes in Harrow
- Explore the opportunities of the Private Rented Sector
- Optimise funding opportunities with both the HCA and GLA

### Financial Return on Investment

We compare certain indices against the Global Accounts for the sector prepared by the HCA. These provide a coarse benchmark as they cover all traditional housing associations in England, many of which have very different characteristics from Origin.

					Budget Target	Global Accounts (median)	Budget Target
Year ended 31 March	2012/13	2013/14	*2014/15	**2015/16	2015/16	2014/2015	2016/17
	£'000	£'000	£'000	£'000	£'000	£m	£'000
Turnover	45,620	50,801	57,928	72,633	62,863	16,268	64,492
Operating Surplus	11,494	12,416	19,136	16,155	15,845	4,596	17,448
Margin	25.20%	24.40%	33.03%	22.2%	25.2%	28.3%	27.1%

\* Results include the acquisition of Lee Housing, increasing turnover and operating surplus by £5.7m

\*\* These figures exclude the impact of the introduction of FRS 102, so as to maintain compatibility with prior years.







Operating margin – The drop in operating margin performance is largely due to an impairment provision for one of our development schemes of £2.5m. Excluding this impairment charge our operating margin would have been 25.7%, exceeding our target of 25.2%. We anticipate a margin of 27.1% in 2016/17, which is our target. The initiatives within the Business Transformation Programme will assist us to achieve this target.

Operating costs per property – in 2015/16 these averaged £4,244 against a budget of £4,343. This favourable position is largely due to the reduction in some of the discretionary spend areas – IT software costs, legal and professional, training and HR contingency costs.















### Overheads

Origin subscribes to a national benchmarking organisation, Housemark, to help us understand our costs. The table below provided by Housemark shows our performance and how this has changed.

#### Overhead cost breakdown per direct user

KPI	Sample Size	Upper	Median	Lower	Origin Housing Group (2014/2015)			Origin Housing Group (2013/2014)		
					Result	Rank	Quartile	Result	Rank	Quartile
Premises	54	3,700	5,096	6,526	6,153	36		5,914	34	
ITC	54	5,090	6,801	9,381	9,096	37		9,389	41	
Finance	54	3,035	4,297	5,445	4,623	31		5,142	38	

Central 54 7,384 9,729 13,041 11,369 34  12,277 40 

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

**Premises** – the figures include notional costs for our offices, which do not arise in cash terms because we own those offices. We have undertaken a review to assess whether this is an effective use of the asset and are satisfied that alternative office arrangements would increase costs. As a result, we plan to consolidate our Camden operations into one office.

**ITC** – costs remain largely high due to the projects being undertaken in the year and, certain projects will continue till 2016/17.

**Finance & Central** – Reduction in this spending area is largely due to the donation received on the acquisition of Lee Housing and savings in other discretionary spend areas such as legal and professional fees.

In 2016/17 we plan to:

- Close one of our office buildings (Randolph Street) saving approx. £80k in running costs and providing a new source of income.. In addition, we are reconfiguring another office building (Eversholt Street) to facilitate mobile working with the provision of hot desking
- Complete the roll out of Electronic Document Records Management System (EDRMS) to facilitate the introduction of CRMS and better use of office space while reducing storage costs
- Reduce back office costs (Finance, HR and other overhead costs)

#### Staff Resources

The retention and recruitment of high calibre staff is fundamental to the delivery of VFM and providing excellent services to our residents.

In 2015/16 we:

- Introduced a 'Rising Stars' programme, which launched with an 'Introduction to Management' – this programme will assist in retaining talent and lowering recruitment costs
- We changed our Disclosure and Barring Service (DBS) provider which has had an impact on speeding up the process of recruiting and reducing the cost of recruiting short term temporary staff until permanent staff are in place, particularly relevant for services to vulnerable customers

Benchmarked staff absence and turnover statistics are presented below:-

KPI	2010/11 position	2011/12 position	2012/13 position	2013/14 position	2014/15 position	2014/15 Median London HAs /SE benchmark	2015/16 position	2016/17 target
Percentage of staff turnover	26%	33%	19%	16.44%	24.54%	20.2%	19.16%	20%
Number of days sickness absence	10	8	6.8	6.05	5.38	7.8	9.08	5.5

We continue to work with our Occupational Health provider. There has been a sustained reduction in sickness absence with a spike in 2015/16 due to a small number of long term sickness absence cases.

High staff turnover is a concern for the organisation, although our most recent an independently conducted staff survey (2014) showed staff engagement levels of 82%, and satisfaction of staff with Origin as an employer was 84%, which our benchmarking with ORC, a business intelligence firm, tells us is very high. The reported statistics include staff that have left due to the buoyant London employment economy and the limited career options that an organisation of our size is able to provide, as well as those who left via exit strategies.

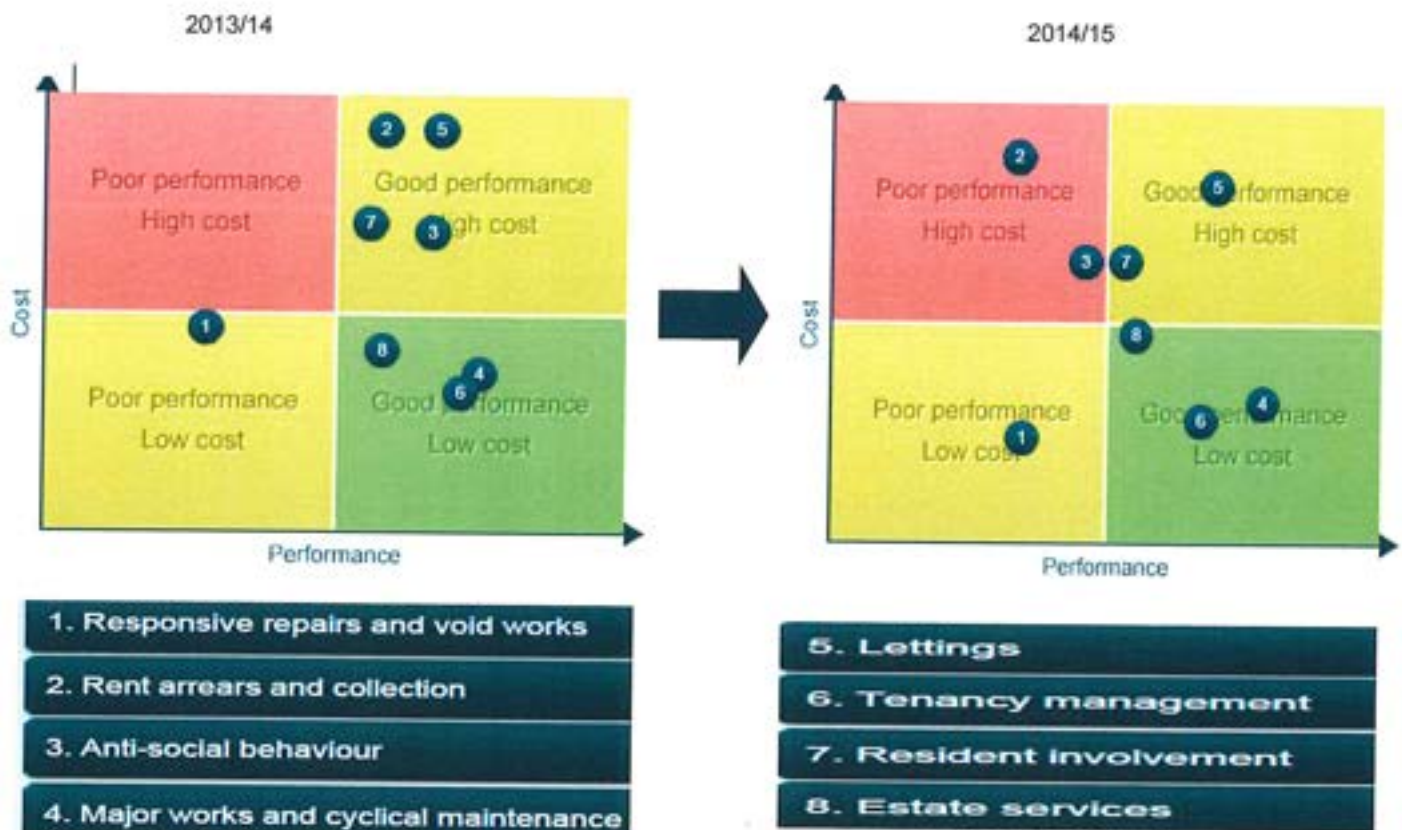
Our turnover performance is median when compared against our benchmarking group.

In 2016/17 we plan to:

- Continue the Rising Star programme to support staff retention and sustain the number of trainee and development roles
- Run the Market Pay Review to ensure that our people are paid in line with the market to provide value for money, enhance our employer brand and retain good people
- Focus on managing change well

#### Performance management of VFM

Origin also uses Housemark benchmarking services to monitor the cost, quality and performance of its key services from year to year. The tables below show the progress that Origin has made year on year with the aim of moving all key services into the 'Good performance, low cost' quadrant of the graphs. These show results up to the end of the most recent Housemark audited year - 2014/15 compared to the previous year:



The key changes from 2013/14 to 2014/15 have been:

- A reduction of total costs per property of responsive Repairs & Void works from £880.64 to £805.03. This is as a result of a reduction in both staff costs and non-pay costs with a slight improvement in performance.
- A reduction in total cost per property of antisocial behaviour from £83.63 to £75.63. The main driver is as a result of a reduction in non-pay costs.
- The total cost for rent arrears and collection has increased from £259.88 to £281.71. The main cost driver is the increase in staff costs which is as a result of the provision of additional resource to deal with changes in welfare and the need to support our customers through this.

This increase should be seen against the improved performance in this area in the 2015/16 figures contained in the table below.

Origin also uses a set of key performance indicators, agreed with our Board, to assess the cost, performance and quality of each of its key services and benchmarks them where this is possible. We analyse our end of year financial information and set targets for the forthcoming financial year as part of our business planning process. Origin's objective is to achieve an improvement on performance that is at least comparable to that achieved by its peers. These are the results at the end of the 2015/16 year, which show the position one year on from the Housemark benchmarking above. Note that during the year 64 new development homes were added to the stock:

Type	Indicator	2014/15 London Housemark Benchmark (top quartile)	2014/15 London Housemark Benchmark (median quartile)	Actual 2014-15	Target 2015-16	Actual 2015-16	Traffic Light result	Target 2016-17
<b>Overall Service</b>								
Cost	Total £ operating costs per property	N/A	N/A	4333.00	5656	4248.00		4347
Performance	Total overheads as a percentage of operating costs (%)	N/A	N/A	37.80	39.40	39.82		39.50
Quality	% Overall satisfaction with landlord services	82.33	77	76.41	79.00	80.98		79.00
<b>Responsive Repairs</b>								
Cost	Total £ cost per property of responsive repairs	430.06	520.9	612.85	685.00	569.08		590.00
Performance	Average time to complete non urgent repairs (days)	7.05	9.41	12.00	10.00	9.30		10.00
Quality	Overall satisfaction with repairs service	95	90.2	91.00	90.00	91.67		90.00
<b>Planned Maintenance</b>								
Cost	Improvement works spend per property	1220.58	1670.15	1290.32	1447.00	1437.56		1447.00
Performance	Average SAP rating of properties (%)	73	70.6	73.00	73.00	70.50		73.00
Quality	Overall satisfaction with the condition of the property	79.1	77	74.60	76.00	74.96		76.00
<b>Empty Properties (Voids)</b>								
Cost	Void Works Total Cost Per Property	95.62	125.48	97.84	125.00	89.57		95.00
Performance	Average time in days to re-let empty properties	20.45	27.09	20.58	25.00	34.57		25.00
Quality	% resident satisfaction with their new home	N/A	N/A	91.76	90.00	90.85		90.00
<b>Income</b>								
Cost	Total cost per property of rent arrears and collection	123.7	141.85	100.62	155.0	106.20		110.0
Performance	Current tenant rent arrears as a % of rent due (excluding voids)	3.29	3.96	4.40	4.0	2.83		4.0
Quality	% of tenants evicted as a result of rent arrears during the year	0.26	0.36	0.24	0.3	0.18		0.3
<b>Tenancy &amp; Estate Management</b>								
Cost	Total cost per property of antisocial behaviour	53.48	70.51	37.95	44.0	34.50		40.0
Cost	Total cost per property of estate services	208.7	282.73	205.75	230.9	247.49		230.9
Quality	Satisfaction of residents with neighbourhood as a place to live	82.65	80.3	81.63	80.0	84.28		80.0

The increases in re-let turnaround time has been largely due to certain inefficiencies within our old voids and lettings procedures and processes that were in place. Subsequently, these have now been reviewed and revised procedures, processes and staffing arrangements will be put in place in 2016/17.

#### HCA Standardised measures

The HCA 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 median for the sector

	Origin HA						Global Accounts			2016
	2013		2014		2015		2015			
	Association	Group	Association	Group	Association	Group	Upper	Median	Lower	
Closing Social Housing Units Managed	5,309	5,309	4,964	5,473	5,328	5,837				5,872
	CPU (£K)									
Headline Social Housing Cost	5.80	5.80	6.24	5.80	6.20	5.92	4.30	3.55	3.19	6.54
Management	0.96	0.96	1.15	1.04	1.17	1.07	1.27	0.95	0.70	1.10
Service Charge	0.76	0.76	0.87	0.80	0.74	0.69	0.61	0.36	0.23	0.85
Maintenance	1.04	1.04	1.04	0.97	1.22	1.18	1.18	0.98	0.81	1.16
Major Repairs	1.66	1.66	1.53	1.49	1.52	1.53	1.13	0.80	0.53	2.02
Other Social Housing costs	1.38	1.38	1.66	1.50	1.54	1.45	0.41	0.20	0.08	1.39

Origin's CPU are heavily influenced by the incidence of cyclical planned maintenance peaking in recent years. This will continue up to and including 2019. Likewise, our heavy investment in IT and systems development to enable the delivery of future savings and improved customer service has had an adverse impact on management costs.

Over the coming months the Board will be reviewing the information provided by the HCA in June 2016 to better understand Origin's performance relative to the sector as a whole.

#### Customer Services

We have continued to develop our on-line service via the customer portal, which is available through our website. We now have over 200 customers registered with the new site, carrying out over 1,000 transactions over the year, most of which would previously have been carried out by telephone.

During 2015/16 there was an improvement in satisfaction with contact centre staff, as performance results were at 87%, up from 80% at the end of the previous year.

As part of our Business Transformation Programme, there will be an increase in the provision of digital services for those customers who want or would like to be trained to engage with us this way. The programme will concentrate on changing the way we work to deliver new and improved customer services based on customer insight, making the best use of technology and buildings, enhancing our performance management and changing behaviours so we do the right thing at the right time. Since the year end, our customer service centre has been co-located with our repairs contact centre at our Watermill Lane site delivering reduced costs and improved customer service.

In Care and Support services, staffing costs have not increased while overall satisfaction levels remain high at 95.6% for all services. By the use of different staffing arrangements we have increased our revenue this year by providing extra hours services at a number of schemes without increasing overall costs.

#### Responsive Repairs

The current Repairs and Voids contract is now into its 4<sup>th</sup> year. Achievements to date include;

- An increase in customer satisfaction from 78.7% in 2012/13 to 93.0% in 2015/16 with annual averages for each financial year as follows:-
  - 12/13 – 78.7%
  - 13/14 – 84.3%
  - 14/15 – 91.6%
  - 15/16 – 93.0%
- The Repairs Service Centre at Watermill Lane was established in January 2014. Since then the team has answered approximately 55,000 calls with an answer rate of 96% and a pick up rate of 37 seconds (against targets of 95% and 30 seconds). In 15/16 97% of calls were answered (32,000) with pick up rate of 30



seconds. The comparable performance for 12/13 was 43% of calls answered within 20 seconds (against a target of 80%).

- Greater budgetary control and certainty as to costs.

As previously planned and disclosed in last year's assessment a revised Price Per Property / Volume (PPP/V) framework agreement was put in place from 1 June 2015, and 95% of responsive repair orders are now covered within the agreement, further improving budget stability and reducing the administration of the contract.

In addition, the agreement incorporated communal repairs which had previously been excluded, resulting in reduced responsive repair costs and minimal delays for approvals of works. The new agreement has enabled us to be more responsive and stay within budget.

#### Income

During 2015/16 we retendered the Payment Collection contract. The new contract will yield a saving of approximately £30,000 p.a. as a result of reducing transactional costs and the rationalisation of the services across the business. Enhancements in our arrears IT systems delivered improved arrears recovery processes across all areas. The year end position was:

Business stream	Target 2015/16	Actual performance at end of financial year	Target 2016/17
General Needs	4.0%	2.83%	4%
Shared ownership	1%	1%	1%
Rented Operations	1%	0.6%	1%
Leasehold	6.5%	6.3%	6.5%
Retirement Housing	3.2%	1.11%	3%
Supported Housing	3.5%	4.75%	5%

#### Tenancy and Estate management

##### **In 2015/16 we:**

- Reduced rent arrears and the risk associated with Universal Credit to exceed our target of 4% by ending the year at 2.83%
- Undertook an end to end review of our Lettings Service in response to increasing void re-let times in Q3 and Q4 of 2015/16. Our performance at year end is 40.15 average days for General Needs relets against a target of 22 days.
- Fully embedded the new estate services model, and in comparison to 2014/15 there has been a reduction in spend of £45k in the 2015/16 budget.

##### **In 2016/17 we plan to:**

- Review our neighbourhood service to create efficiencies
- Put in place a new legal services framework which will result in a savings of £20,000 pa
- Implement our Secondary Units management procedure (mainly residential car parks) to ensure all charges are collected and arrears are managed effectively. This is expected to increase income collection by up to £25k.

#### **Procurement and Efficiency Initiatives**

Under our continuing procurement programme, in 2015/16 we achieved £468,949 in total savings (compared with the 2013/14 figure of £436,650).

2014/15	Method	Annual Savings £'000	Savings over duration of contract £'000
	Tenders	177	177
	Utilities	44	44
	<b>Total</b>	<b>221</b>	<b>221</b>
2015/16	Method	Annual Savings £'000	Savings over duration of contract £'000
	Tenders	89	879
	Utilities	32	56
	Care & Support	29	29
	Others	86	161
	<b>Total</b>	<b>236</b>	<b>1,125</b>

During 2015/16 we:

- Completed a procurement strategy and appointed a Procurement Manager to give greater focus to our procurement activities going forward
- Commenced the process for tendering of Housing Management Legal Services.
- Commenced the process for tendering of white goods, floor covering and furniture services in partnership with Hyde Housing Association
- Tendered the Domestic Gas servicing contract, delivered savings of £87,365 per annum on the maintenance contract over ten years (totalling - £873,652 over the duration of the contract).
- Delivered savings of £56k per annum from re-negotiating management contracts within our Care and Support services (£32k year to date savings in 2015/16).

In 2016/17 we plan to:

- Implement a category management approach to procurement aimed at maximising cost efficiencies
- Finalise tender for Housing Management Legal Services & White goods, floor covering and furniture services by capitalising on economies of scale in partnership with Hyde Housing Association.
- Commence tenders totalling approximately £1.8m in expenditure

#### Social Return on Investment

Last year we promised to:

- Carry out a review of our social investment strategy. This has been done and the new strategy formulated
- Develop a fundraising strategy. In 2015/16 we identified options for fundraising. We have so far focussed on building partnerships. We will trial further approaches in 2016/17 as part of our social investment strategy

During this financial year we have:

- Generated £1.6m of social value, accredited by the HACT Social Value Bank, against a cost base of £280,000. The social value model measures the economic value of 'social outcomes' achieved by our support services, for example assisting someone to gain employment, improving their health, or reducing levels of debt
- Leveraged a total of 2,146 volunteer hours to support delivery of our services, and supported our partners with 300 staff volunteer hours through our new staff volunteering programme. Particular successes have included services such as our Digital Drop-In's and Cream Tea Club, which are run entirely by volunteers.
- Our new Financial Support team has established different support models and, over the last 12 months, secured £80,389 in back-dated Housing Benefit and £12,320 in Discretionary Housing Payment awards, which contribute to reducing arrears as well safeguard services. They have also secured £23,086 for customers in other lump sum payments, maximised our customers' Housing Benefit claims by £54,670 per year (again, directly improving rent arrears) and maximised household income by £148,553 per year.
- Supported 39 customers into work with a 94% sustainability rate, and 116 residents through training to boost their employability. This is a key support mechanism that enables our residents to sustain their tenancies, and supports our rent collection.

- Brought in around £72,000 in match and in-kind funding, supplementing our Community Development 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 from.

In 2016/17 we plan to:

- Implement the new social investment strategy which directly reflects needs of customers and the business. This means we can be sure that the social investment funding is providing maximum value, and not being used on non-priority services.
- Use delivery of our new Ageing Better contract to create further partnerships, pulling in further match and in-kind funding.

The Report of the Board was approved by the order of Board of Origin Housing Limited on 24 August 2016 and signed on its behalf by:



Company Secretary  
Chris Trebilcock

**STRATEGIC REPORT FOR YEAR ENDED 31 MARCH 2016****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 33 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'.

The year ended 31 March 2016 is the first year under which the accounts have been prepared in accordance with FRS102 – 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.. There has been a significant change to the format of the statutory accounts and the accounting treatment of grants, loans, pensions and property assets have changed significantly.

**Housing properties**

At 31 March 2016 Origin owned and managed 6,508 housing properties. This shows an increase on the 2015 figure (6,435), 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 £683.9m (2015: £668.3m).

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 has been reflected as a charge of £1.7m in the current year.

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**

A further £30m of debt facilities were negotiated during the year bringing our total facilities to £384.9m of which, £306.6m were drawn at year end. The undrawn £78.3m debt facility together with the cash in hand of £26.3m at year end provides the necessary funding for our development programme for the next couple of years and exceeds our contractual commitments of £18.5m at 31 March 2016. 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 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 the past two 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 26 to 32. The following tables and paragraphs highlight key features of Origin's financial position at 31 March 2016.

Origin is pleased to report an operating surplus before taxation of £15.2m (2015: £17.4m) which together with our surplus on the sale of fixed assets of £7.8m (2015: £3.1m) contributed to the year-end revenue reserves of £154.3m (2015: £152.3m).

The FRS 102 impact on the statement of financial position has been a positive one, as there has been an overall increase in total reserves of £165.9m (Pre-FRS102 £124.0m; Post - £289.9m).

The turnover for the year of £74.5m shows a rise from last year's figure of £59.7m, largely as a result of improved first tranche shared ownership sales and outright sales. Also, turnover from social housing lettings has increased from 2014/15 (2016: £44.3m ; 2015: £42.2m as shown in Note 2) with this being largely due to additional income received from other social housing services, mainly supporting care contracts and Keyworkers

Cash inflows and outflows during the year are shown in the consolidated cash flow statement on page 30.

The net cash inflow from operating activities was £37.1m (2015: £11.9m).

	2015	2016
	£'000	£'000
<b>For the year ended 31 March</b>		
<b>Group Statement of Total Comprehensive Income</b>		
Turnover	59,667	74,531
Cost of sales	(5,853)	(20,019)
Operating costs	<u>(36,398)</u>	<u>(39,332)</u>
Operating surplus	<u>17,416</u>	<u>15,180</u>
Total comprehensive (loss)/ income for the year	<u>(7,541)</u>	<u>2,322</u>
<b>For the year ended 31 March</b>		
<b>Group Statement of Financial Position</b>		
Housing properties, net of depreciation	670,883	686,476
Investments	49,406	49,515
Net current assets	<u>27,569</u>	<u>34,097</u>
Total assets less current liabilities	<u>747,858</u>	<u>770,088</u>
Creditors: Amounts falling due after more than one year	460,267	480,175
Revaluation reserve	134,323	134,623
Revenue reserve	152,270	154,336
Designated reserves	<u>998</u>	<u>954</u>
Reserves	<u>287,591</u>	<u>289,913</u>
	<u>747,858</u>	<u>770,088</u>
	Units	Units
Housing stock - Social	5,837	5,872
Housing stock - Non-Social	598	636
Managed stock	-	-
Total	<u>6,435</u>	<u>6,508</u>

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

	2015	2016
Interest cover (operating surplus excluding depreciation divided by interest payable)	2.5	2.2
Liquidity (current assets divided by current liabilities)	2.5	2.8
Gearing (total debt as a % of gross historic cost of housing properties)	43.1%	42.7%

Both Gearing and Liquidity have improved in performance when compared to 2014/15 results. While, Interest cover has reduced reflecting our ongoing development program and the reduction in grant funding.

#### Future prospects

2015 saw a majority Conservative government win the election. This new administration has introduced a number of significant policy changes that impacts on our business and the wider housing sector community; including legislation to extend the right to buy initiative to housing Associations, confirmation of £12 billion savings from the welfare budget and changes to certain benefit regimes, reductions in housing Association rents, changes to planning proposals, the introduction of a living wage and changes to regulations impacting on private landlords. At around the same time, the Office for National Statistics has placed the entire sector into the 'public sector' for the purposes of

Public Sector Borrowing Requirement (PSBR) measurements and the Government has initiated a review of the regulatory regime in which we operate.

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 1300 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 & Scrutiny 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 maintenance of the Strategic Risk Register is the responsibility of the Executive team.

Our key strategic risks as at March 2016 are set out in summary below. 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;

1. Fraud
2. Failure to achieve projected income
3. Development risk
4. Inadequate funding to deliver the business plan
5. Health & Safety
6. Failure to meet regulatory standards
7. Service quality fails to meet customer & stakeholder expectations
8. Business continuity
9. Failure to control costs
10. People performance
11. Strategic initiatives not delivered

During 2015/16, we reviewed our risk management strategy and developed a risk appetite statement. The risk appetite statement sets out the risks, measures and requirement expected by Origins' Board. There are quantitative measures (relating mainly to development, financial and investment boundaries) and qualitative measures (relating to the degree of risk taking and innovation tolerated by the Board in relation to our key business objectives).

### Financial and non-financial key performance indicators

This is covered within the 'Value for Money assessment' section on pages 7 – 18.

### 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 three 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

**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
- Monitors Health & Safety Policy

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 through out 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 24 August 2016



Steve White  
Chair



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**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 2016 which comprise the consolidated and Association statements of comprehensive income, consolidated and Association statements of financial position, the consolidated cash flow statement, the consolidated and Association statements 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 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](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Association's affairs as at 31 March 2016 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 Association, or returns adequate for our audit have not been received from branches not visited by us; 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: 30 August 2016 .

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 2016

		2016	2015
	Note	£'000	£'000
Turnover	2	74,531	59,667
Cost of sales	2	(20,019)	(5,853)
Operating expenditure	2	(39,332)	(36,398)
<b>Operating surplus</b>	4	<u>15,180</u>	<u>17,416</u>
Gain on disposal of property, plant and equipment	5	7,759	3,134
Interest receivable	6	179	79
Interest and financing costs	7	(11,782)	(10,955)
Movement in fair value of financial instruments	19	(11,235)	(23,553)
Movement in fair value of investment properties	12	2,168	6,445
<b>Surplus/(deficit) before taxation</b>		<u>2,269</u>	<u>(7,434)</u>
Taxation	10	53	(107)
<b>Surplus/(deficit) &amp; total comprehensive income for the year</b>		<u>2,322</u>	<u>(7,541)</u>

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

The notes on pages 33 to 67 form part of these financial statements.

## ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2016

		2016	2015
	Note	£'000	£'000
Turnover	2	54,524	52,601
Cost of sales	2	(3,453)	(1,712)
Operating expenditure	2	(38,047)	(35,302)
Operating surplus	2	13,024	15,587
Gain on disposal of property, plant and equipment	5	7,759	3,134
Interest receivable	6	721	645
Interest and financing costs	7	(11,487)	(10,632)
Movement in fair value of Investment Properties	12	1,453	6,027
Surplus/(deficit) before taxation		11,470	14,761
Taxation	10	-	-
Surplus/(deficit) & comprehensive income for the year		11,470	14,761

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

The notes on pages 33 to 67 form part of these financial statements.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
<b>Fixed Assets</b>			
<b>Property Plant and Equipment</b>			
Housing properties	11	683,936	668,279
Other tangible fixed assets	13	2,540	2,604
		<u>686,476</u>	<u>670,883</u>
<b>Investments</b>			
Commercial properties	12	38,367	39,307
Market rent properties	12	8,842	7,749
Homebuy loans		2,306	2,350
		<u>49,515</u>	<u>49,406</u>
<b>Current assets</b>			
Properties held for sale	15	21,671	31,295
Trade and other debtors	16	5,524	6,678
Cash and cash equivalents		26,269	8,477
		<u>53,464</u>	<u>46,450</u>
<b>Creditors: amounts falling due within one year</b>	17	<u>(19,367)</u>	<u>(18,881)</u>
<b>Net current assets</b>		<u>34,097</u>	<u>27,569</u>
<b>Total assets less current liabilities</b>		<u>770,088</u>	<u>747,858</u>
<b>Creditors: amounts falling due after more than one year</b>			
Loans	18	(318,240)	(296,705)
Deferred grant & other capital grant	20	(156,683)	(159,616)
<b>Provisions for liabilities</b>			
Provision for Pension Fund Liability	8	(5,252)	(3,946)
<b>Net assets</b>		<u>289,913</u>	<u>287,591</u>
<b>Capital and reserves</b>			
Non-equity share capital	23	-	-
Revaluation reserve		134,623	134,323
Revenue reserve		154,336	152,270
Designated reserve		954	998
		<u>289,913</u>	<u>287,591</u>

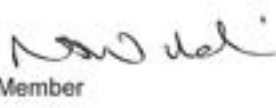
The notes on pages 33 to 67 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 24 August 2016 and signed on its behalf by:

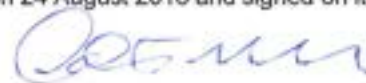
Chair



Board Member



Secretary






## ASSOCIATION STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Note	31 March 2016 £'000	31 March 2015 £'000
<b><u>Fixed Assets</u></b>			
<b>Property Plant and Equipment</b>			
Housing properties	11	615,950	598,864
Other tangible fixed assets	13	2,540	2,604
		618,490	601,468
<b>Investments</b>			
Commercial properties	12	32,268	33,953
Market rent properties	12	8,062	7,014
Investment in subsidiaries and associated undertakings	14	7,422	17,147
Homebuy loans		2,306	2,350
		50,058	60,464
<b><u>Current assets</u></b>			
Properties held for sale	15	3,970	3,721
Trade and other debtors	16	16,643	18,447
Cash and cash equivalents		20,008	5,261
		40,621	27,429
<b>Creditors: amounts falling due within one year</b>	17	(16,884)	(16,355)
<b>Net current assets</b>		23,737	11,074
<b>Total assets less current liabilities</b>		692,285	673,006
<b>Creditors: amounts falling due after more than one year</b>			
Loans	18	(263,105)	(252,894)
Deferred grant & other capital grant	20	(153,185)	(156,893)
<b>Provisions for liabilities</b>			
Pension Fund Liability	8	(5,252)	(3,946)
<b>Net assets</b>		270,743	259,273
<b>Capital and reserves</b>			
Non-equity share capital	23	-	-
Revaluation reserve		99,743	99,414
Revenue reserve		170,046	158,861
Designated reserve		954	998
		270,743	259,273

The notes on pages 33 to 67 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 24 August 2016 and signed on its behalf by:

Chair  Board Member  Secretary 

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2016

	2016 £'000	2015 £'000
<b>Cashflow from operating activities</b>		
Surplus for the year	15,180	17,416
Tax on surplus on ordinary activities	53	(84)
Depreciation	7,744	9,048
Impairment	2,500	0
Amortisation	(1,919)	(1,935)
Increase in current assets properties for sale	9,624	(15,331)
Decrease in trade and other debtors	841	326
Increase in trade and other creditors	1,742	2,752
Increase in provisions	1,306	(246)
<b>Net cash generated from operating activities</b>	<b>37,071</b>	<b>11,946</b>
<b>Cash flow from investing activities</b>		
Proceeds from sale of housing properties	9,934	4,775
Proceeds from sale of investment properties	5,321	1,625
Payments to acquire and develop housing properties	(28,749)	(42,408)
Payments to acquire other fixed assets	(930)	(1,109)
Payments to acquire and develop investment properties	(646)	(671)
Capital grants received	462	7,346
<b>Net cash from investing activities</b>	<b>(14,608)</b>	<b>(30,442)</b>
<b>Cash flow from financing activities</b>		
Interest received	179	79
Interest paid	(14,786)	(13,755)
Proceeds from the sale of investments	-	-
Loans received	22,816	65,559
Loans repaid	(12,880)	(38,864)
Investment in Money Market	-	5,000
<b>Net cash from financing activities</b>	<b>(4,671)</b>	<b>18,019</b>
<b>Increase/ (decrease) in cash</b>	<b>17,792</b>	<b>(477)</b>
Cash and cash equivalents at the beginning of the year	8,477	8,954
Cash and cash equivalents at the end of the year	26,269	8,477

The notes on pages 33 to 67 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2016

Group 2016	Revaluation reserve £'000	Revenue reserve £'000	Designated reserve £'000	Total £'000
Balance at 1 April 2015	134,323	152,270	998	287,591
Surplus for the financial year	-	2,322	-	2,322
	<u>134,323</u>	<u>154,592</u>	<u>998</u>	<u>289,913</u>
Reserve Transfers:				
Transfer to/from revenue reserve to designated reserve	-	44	(44)	-
Transfer from revaluation reserve to revenue reserve	300	(300)	-	-
Balance at 31 March 2016	<u>134,623</u>	<u>154,336</u>	<u>954</u>	<u>289,913</u>
Association 2016	Revaluation reserve £'000	Revenue reserve £'000	Designated reserve £'000	Total £'000
Balance at 1 April 2015	99,414	158,861	998	259,273
Surplus for the financial year	-	11,470	-	11,470
Unrealised surplus on revaluation of commercial properties	-	-	-	-
	<u>99,414</u>	<u>170,331</u>	<u>998</u>	<u>270,743</u>
Unrealised surplus/(deficit) on revaluation of housing properties	-	-	-	-
Actuarial (loss)/gain in respect of pension schemes	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Reserve Transfers:				
Transfer to/from revenue reserve to designated reserve	-	44	(44)	-
Transfer from revaluation reserve to revenue reserve	329	(329)	-	-
Balance at 31 March 2016	<u>99,743</u>	<u>170,046</u>	<u>954</u>	<u>270,743</u>



## ASSOCIATION STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2016

Group 2015	Revaluation reserve £'000	Revenue reserve £'000	Designated reserve £'000	Total £'000
<b>Balance at 1 April 2014 (restated)</b>	134,023	160,133	976	295,132
Surplus for the financial year	-	(7,541)	-	(7,541)
Unrealised surplus on revaluation of commercial properties	-	-	-	-
	<u>134,023</u>	<u>152,592</u>	<u>976</u>	<u>287,591</u>
Unrealised surplus/(deficit) on revaluation of housing properties	-	-	-	-
Actuarial (loss)/gain in respect of pension schemes	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Reserve Transfers:				
Transfer to/from revenue reserve to designated reserve	-	(22)	22	-
Transfer from revaluation reserve to revenue reserve	300	(300)	-	-
<b>Balance at 31 March 2015</b>	<u>134,323</u>	<u>152,270</u>	<u>998</u>	<u>287,591</u>

Association 2015	Revaluation reserve £'000	Revenue reserve £'000	Designated reserve £'000	Total £'000
<b>Balance at 1 April 2014 (restated)</b>	99,085	144,451	976	244,512
Surplus for the financial year	-	14,761	-	14,761
Unrealised surplus on revaluation of commercial properties	-	-	-	-
	<u>99,085</u>	<u>159,212</u>	<u>976</u>	<u>259,273</u>
Unrealised surplus/(deficit) on revaluation of housing properties	-	-	-	-
Actuarial (loss)/gain in respect of pension schemes	-	-	-	-
Other comprehensive income for the year	-	-	-	-
Reserve Transfers:				
Transfer to/from revenue reserve to designated reserve	-	(22)	22	-
Transfer from revaluation reserve to revenue reserve	329	(329)	-	-
<b>Balance at 31 March 2015</b>	<u>99,414</u>	<u>158,861</u>	<u>998</u>	<u>259,273</u>

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

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

**Basis of accounting**

The financial statements of the Group and the Association have been prepared in accordance with applicable law and UK accounting standards (UK Generally Accepted Accounting Practice - UK GAAP), which for Origin Housing Limited includes Cooperative and Community Benefit Societies Act 2014 (and related Group accounts regulations) includes: FRS 102 "The Financial Reporting Standards applicable in the UK and the Republic of Ireland", the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by Registered Social Housing Providers" 2014 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

FRS 102 is mandatory for accounting periods beginning on or after 1 January 2015; the impact of the first-time adoption of FRS 102 is summarised in note 31.

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)**

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

**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.

**Supporting people**

Charges for support services funded under supporting people are recognised as they fall due under the contractual arrangements with administering authorities.

**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.

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

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

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

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

**Shared ownership and staircasing**

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

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

Properties under rent to homebuy arrangements (where the occupier has the right to purchase within 5 years) are also disclosed under shared ownership, with 100% recorded as a fixed asset.

**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

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

**Depreciation of other tangible fixed assets**

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

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

**Impairment**

Properties which are depreciated over a period in excess of 50 years are subject to annual impairment reviews. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to operating surplus, unless a revaluation reserve exists for the asset, in which case the amount of the impairment is deducted from the revaluation reserve up to the balance of the reserve for the asset. Any remaining impairment is then charged to operating surplus.

**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) of the housing property structure has been selected (average UEL has been estimated as 88 years, which also took into account the components in coming up with this figure as permitted by the SORP).

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

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

**Recycled Capital Grant Fund**

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

**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.

**Current asset investments**

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

**Reserves**

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

**Revaluation reserve**

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

**Deferred financing costs**

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

**Financial instruments**

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

All loans, investments and short term deposits held, with the exception of Lenders Option Borrowers Option Loans (LOBO) and Cancellable embedded option arrangements (CEO), are classified as basic financial instruments in accordance with FRS 102. Such are recorded at historical cost.

Lenders Option Borrowers Option Loans (LOBO) and 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.

**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<sup>0</sup>**

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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 1 Accounting policies (continued)

## Judgements in applying accounting policies and key sources of estimation uncertainty

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

- whether there are indicators of impairment of the association's tangible and intangible assets, including goodwill. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The association has considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The association has also considered impairment based on their assumptions to define cash or asset generating units.
- 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 exemptions to be taken on transition to FRS102.
- the categorisation of housing properties as investment properties or property, plant and equipment based on the use of the asset.
- what constitutes a cash generating unit when indicators of impairment require there to be an impairment review.

## Other key sources of estimation and uncertainty

## Tangible fixed assets (see note 11 and 12)

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

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

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

- Annual rent per square metre: £173 - £538 , with a weighted average of £192.
- Capitalisation rate: 5.0% - 10.0%, with a weighted average of 6.35%.

## Rental and other trade receivables (debtors) (see note 13)

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 2016

	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>	44,261	-	(33,649)	10,612
<b>Other social housing activities</b>				
Shared ownership first tranche sales	5,472	(3,453)	(233)	1,786
Supporting people contract income	1,029	-	(1,027)	2
Community development	10	-	(398)	(388)
Care & repair	461	-	(398)	63
Charges for support services	146	-	(98)	48
Development activities	-	-	(107)	(107)
	7,118	(3,453)	(2,261)	1,404
<b>Non-social housing activities</b>				
Properties for outright sale	19,729	(16,566)	(214)	2,949
Commercial activities	2,225	-	(761)	1,464
Market rent	402	-	(30)	372
Leasehold	796	-	(1,112)	(316)
Other (non-housing)	-	-	(1,305)	(1,305)
	23,152	(16,566)	(3,422)	3,164
	74,531	(20,019)	(39,332)	15,180

## Group 2015

	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>	42,160	-	(31,650)	10,510
<b>Other social housing activities</b>				
Shared ownership first tranche sales	2,528	(1,712)	(358)	458
Supporting people contract income	866	-	(864)	2
Community development	64	-	(373)	(309)
Care & repair	532	-	(466)	66
Charges for support services	324	-	(307)	17
Development activities	-	-	-	-
Transfer of engagement: Lee Housing Association	5,539	-	-	5,539
	9,853	(1,712)	(2,368)	5,773
<b>Non-social housing activities</b>				
Properties for outright sale	4,549	(4,141)	(160)	248
Commercial activities	2,227	-	(1,628)	599
Market rent	265	-	(27)	238
Leasehold	612	-	(962)	(350)
Other (non-housing)	1	-	397	398
	7,654	(4,141)	(2,380)	1,133
	59,667	(5,853)	(36,398)	17,416



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Association 2016			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>	41,438	-	(32,825)	8,613
<b>Other social housing activities</b>				
Shared ownership first tranche sales	5,472	(3,453)	(233)	1,786
Supporting people contract income	1,029	-	(1,027)	2
Community development	10	-	(398)	(388)
Care & repair	461	-	(398)	63
Charges for support services	135	-	(93)	42
Transfer of engagement: Lee Housing Association	-	-	-	-
	7,107	(3,453)	(2,149)	1,505
<b>Non-social housing activities</b>				
Properties for outright sale	-	-	-	-
Commercial activities	1,796	-	(647)	1,149
Market rent	355	-	(17)	338
Leasehold	820	-	(1,112)	(292)
Gift aid received	3,008	-	-	3,008
Other (non-housing)	-	-	(1,297)	(1,297)
	5,979	-	(3,073)	2,906
	54,524	(3,453)	(38,047)	13,024
	Association 2015			
	Turnover £ '000	Cost of sales £ '000	Operating costs £ '000	Operating surplus £ '000
<b>Social housing lettings</b>	39,382	-	(30,867)	8,515
<b>Other social housing activities</b>				
Shared ownership first tranche sales	2,528	(1,712)	(358)	458
Supporting people contract income	870	-	(864)	6
Community development	64	-	(373)	(309)
Care & repair	532	-	(466)	66
Charges for support services	311	-	(299)	12
Transfer of engagement: Lee Housing Association	5,539	-	-	5,539
	9,844	(1,712)	(2,360)	5,772
<b>Non-social housing activities</b>				
Properties for outright sale	8	-	-	8
Commercial activities	1,845	-	(1,495)	350
Leasehold & market rent	917	-	(986)	(69)
Gift aid received	605	-	-	605
Other (non-housing)	-	-	406	406
	3,375	-	(2,075)	1,300
	52,601	(1,712)	(35,302)	15,587

## 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				2015	
	General needs housing £'000	Supported housing & housing for older people £'000	Key worker / intermediate housing £'000	Shared ownership £'000	Total £'000	Total £'000
Group						
Rent receivable net of identifiable service charges	23,407	3,723	5,999	1,819	34,948	34,722
Service charge income	1,930	2,083	83	361	4,457	4,002
<b>Net rental income</b>	<b>25,337</b>	<b>5,806</b>	<b>6,082</b>	<b>2,180</b>	<b>39,405</b>	<b>38,724</b>
Other income	128	1,489	1,322	(2)	2,937	1,501
Amortisation of housing grant	1,919	-	-	-	1,919	1,935
<b>Turnover from social housing lettings</b>	<b>27,384</b>	<b>7,295</b>	<b>7,404</b>	<b>2,178</b>	<b>44,261</b>	<b>42,160</b>
Management	(2,781)	(2,593)	(963)	(135)	(6,472)	(6,247)
Service charge costs	(2,173)	(1,536)	(1,308)	(1)	(5,018)	(4,032)
Other cost	(3,186)	(1,853)	(597)	(401)	(6,037)	(5,846)
Routine maintenance	(2,615)	(550)	(572)	-	(3,737)	(3,832)
Planned maintenance	(2,117)	(489)	(475)	-	(3,081)	(3,035)
Rent losses from bad debts	(53)	(1)	-	-	(54)	(457)
Depreciation of housing properties	(4,026)	(1,270)	(1,135)	(319)	(6,750)	(8,201)
Impairment of housing properties	(1,799)	-	-	(701)	(2,500)	-
<b>Operating costs on social housing lettings</b>	<b>(18,750)</b>	<b>(8,292)</b>	<b>(5,050)</b>	<b>(1,557)</b>	<b>(33,649)</b>	<b>(31,650)</b>
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>8,634</b>	<b>(997)</b>	<b>2,354</b>	<b>621</b>	<b>10,612</b>	<b>10,510</b>
<b>Void losses</b>	<b>(258)</b>	<b>(166)</b>	<b>(295)</b>	<b>(1)</b>	<b>(720)</b>	<b>(564)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Particulars of income and expenditure from social housing lettings Association	2015				2016					
	General needs housing £'000	Supported housing for older people £'000	Key worker / Intermediate housing £'000	Shared ownership £'000	Total £'000	General needs housing £'000	Supported housing for older people £'000	Key worker / Intermediate housing £'000	Shared ownership £'000	Total £'000
Rent receivable net of identifiable service charges	20,145	3,673	5,999	1,819	31,636	20,145	3,673	5,999	1,819	31,636
Service charge income	1,742	2,069	83	361	4,255	1,742	2,069	83	361	4,255
<b>Net rental income</b>	<b>21,887</b>	<b>5,742</b>	<b>6,082</b>	<b>2,180</b>	<b>35,891</b>	<b>21,887</b>	<b>5,742</b>	<b>6,082</b>	<b>2,180</b>	<b>35,891</b>
Other income	515	1,634	1,452	57	3,658	515	1,634	1,452	57	3,658
Amortisation of housing grant	1,889	-	-	-	1,889	1,889	-	-	-	1,889
<b>Turnover from social housing lettings</b>	<b>24,291</b>	<b>7,376</b>	<b>7,534</b>	<b>2,237</b>	<b>41,438</b>	<b>24,291</b>	<b>7,376</b>	<b>7,534</b>	<b>2,237</b>	<b>39,382</b>
<b>Management</b>	<b>(2,819)</b>	<b>(2,593)</b>	<b>(963)</b>	<b>(135)</b>	<b>(6,510)</b>	<b>(2,819)</b>	<b>(2,593)</b>	<b>(963)</b>	<b>(135)</b>	<b>(6,248)</b>
Service charge costs	(2,085)	(1,534)	(1,308)	(1)	(4,928)	(2,085)	(1,534)	(1,308)	(1)	(3,958)
Other cost	(3,172)	(1,853)	(597)	(401)	(6,023)	(3,172)	(1,853)	(597)	(401)	(5,852)
Routine maintenance	(2,563)	(549)	(572)	-	(3,684)	(2,563)	(549)	(572)	-	(3,718)
Planned maintenance	(1,851)	(481)	(475)	-	(2,807)	(1,851)	(481)	(475)	-	(2,808)
Rent losses from bad debts	-	-	-	-	-	-	-	-	-	(419)
Depreciation of housing properties	(3,655)	(1,264)	(1,135)	(319)	(6,373)	(3,655)	(1,264)	(1,135)	(319)	(7,864)
Impairment of housing properties	(1,799)	-	-	(701)	(2,500)	(1,799)	-	-	(701)	-
<b>Operating costs on social housing lettings</b>	<b>(17,944)</b>	<b>(8,274)</b>	<b>(5,050)</b>	<b>(1,557)</b>	<b>(32,825)</b>	<b>(17,944)</b>	<b>(8,274)</b>	<b>(5,050)</b>	<b>(1,557)</b>	<b>(30,867)</b>
<b>Operating surplus/(deficit) on social housing lettings</b>	<b>6,347</b>	<b>(898)</b>	<b>2,484</b>	<b>680</b>	<b>8,613</b>	<b>6,347</b>	<b>(898)</b>	<b>2,484</b>	<b>680</b>	<b>8,515</b>
<b>Void losses</b>	<b>(241)</b>	<b>(165)</b>	<b>(295)</b>	<b>(1)</b>	<b>(702)</b>	<b>(241)</b>	<b>(165)</b>	<b>(295)</b>	<b>(1)</b>	<b>(546)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

## Particulars of income and expenditure from investment property lettings

	Group	Group	Association	Association
	2016	2015	2016	2015
	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	2,357	2,286	1,936	1,905
Service charge income	229	205	174	172
<b>Net rental income</b>	<b>2,586</b>	<b>2,491</b>	<b>2,110</b>	<b>2,077</b>
Other income	41	1	41	12
<b>Turnover from investment activities</b>	<b>2,627</b>	<b>2,492</b>	<b>2,151</b>	<b>2,089</b>
Management	(215)	(659)	(192)	(631)
Service charge costs	(250)	(285)	(199)	(265)
Other costs	(196)	(225)	(161)	(221)
Routine maintenance	(21)	(45)	(19)	-
Planned maintenance	(109)	(146)	(93)	(146)
Bad debts	-	-	-	-
Depreciation of commercial properties	-	(295)	-	(256)
<b>Total expenditure on investment property lettings</b>	<b>(791)</b>	<b>(1,655)</b>	<b>(664)</b>	<b>(1,519)</b>
<b>Operating surplus on investment property lettings</b>	<b>1,836</b>	<b>837</b>	<b>1,487</b>	<b>570</b>
<b>Void losses</b>	<b>(1)</b>	<b>(118)</b>	<b>-</b>	<b>(112)</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**3 Accommodation in management**

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

	Group		Association	
	2016 No.	2015 No.	2016 No.	2015 No.
<b>Social housing</b>				
General needs housing				
Social	3,192	3,244	2,726	2,763
Affordable	297	239	263	220
Supported housing and housing for older people	1,004	990	995	981
Shared ownership	417	409	417	409
Keyworker housing	906	897	906	897
Rent to homebuy	20	23	20	23
Residential care homes	36	35	36	35
<b>Total managed</b>	<b>5,872</b>	<b>5,837</b>	<b>5,363</b>	<b>5,328</b>
<b>Non-social housing</b>				
Commercial/Right to buy/Leasehold/Market rented	636	598	615	578
<b>Total owned and managed</b>	<b>6,508</b>	<b>6,435</b>	<b>5,978</b>	<b>5,906</b>

The Group owns 57 supported housing units (2015: 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:

	Group	Group	Association	Association
	2016 £'000	2015 £'000	2016 £'000	2016 £'000
Depreciation of housing properties	6,750	8201	6,373	7864
Depreciation of investment properties	-	-	-	-
Depreciation of other tangible fixed assets	994	847	994	847
Depreciation of market rent properties	-	-	-	-
Impairment charge/(release)	2,500	(493)	2,500	(493)
Operating lease rentals for office equipment and computers	69	69	69	69
Auditors' remuneration				
- for audit services	86	45	72	36
- for non-audit services	14	14	14	14

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 5 Surplus on sale of fixed assets

## Housing Properties

	Group		Association	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Disposal proceeds	10,275	4,775	10,275	4,775
Carrying value of fixed assets	(4,385)	(1,808)	(4,385)	(1,808)
	<u>5,890</u>	<u>2,967</u>	<u>5,890</u>	<u>2,967</u>

## Investment Properties

	Group		Association	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Disposal proceeds	5,321	1,625	5,321	1,625
Carrying value of fixed assets	(3,452)	(1,458)	(3,452)	(1,458)
	<u>1,869</u>	<u>167</u>	<u>1,869</u>	<u>167</u>
Total surplus on sale of fixed assets	<u>7,759</u>	<u>3,134</u>	<u>7,759</u>	<u>3,134</u>

## 6 Interest receivable and other income

	Group		Association	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Bank interest receivable	98	79	88	54
Other interest receivable	81	-	633	591
	<u>179</u>	<u>79</u>	<u>721</u>	<u>645</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 7 Interest payable and similar charges

	Group		Association	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Loans and bank overdrafts	14,482	13,576	12,550	11,702
RCGF interest	-	3	-	3
Amortisation of financing costs	217	176	183	136
Pension interest costs	9	63	9	63
	<u>14,708</u>	<u>13,818</u>	<u>12,742</u>	<u>11,904</u>
Interest capitalised on housing properties under construction	(2,926)	(2,863)	(1,255)	(1,272)
	<u>11,782</u>	<u>10,955</u>	<u>11,487</u>	<u>10,632</u>
Capitalisation rate used to determine the finance costs capitalised during the period	4.69%	4.69%	4.69%	4.69%

## 8 Employees

Average monthly number of employees expressed in full time equivalents:

	Group and Association	Group and Association
	2016 No.	2015 No.
Administration	54	45
Development	14	15
Housing, support and care	192	184
	<u>260</u>	<u>244</u>

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

Employee costs:

	Group and Association	Group and Association
	2016 £'000	2015 £'000
Wages and salaries	8,508	8,148
Social security costs	786	727
Other pension costs	692	732
Employee benefits accrued	4	7
	<u>9,990</u>	<u>9,614</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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 2016 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 £402,966 during the year in additional contributions:

- £140,609 increasing at 4.7% per annum until 2021 in respect of the 2005 Recovery Plan
- £99,067 increasing at 4.7% per annum until 2024 in respect of the 2008 Recovery Plan
- £163,298 increasing at 3% per annum until March 2026 in respect of the 2011 Recovery Plan

The Association also participates in The Pension's Trust Growth Plan and paid £27,734 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 funding level of 81.8%.

The deficit contribution will remain as agreed by the Association, following the previous 2011 Actuarial Valuation, an additional amounts 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 the 1 April 2016 this will be £30,551.

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 2015	3,946
Deficit contributions paid	(431)
Remeasurements - change to contribution schedule	1,728
Remeasurements - change to assumptions	(27)
Unwinding of discount factor	36
Liability at 31 March 2016	<u>5,252</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 8 Employees (continued)

## Income and expenditure impact

	£'000
Interest expenses	9
Remeasurements - change to contribution schedule	<u>1,728</u>
Cost recognised in income statement	<u>1,737</u>

## Assumptions

1 to 3 Years	1.46%
3 to 5 Years	1.81%
5 to 7 years	2.16%
7 to 10 years	2.70%
10 to 15 Years	3.25%
15 Years +	3.57%

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 £ '000	Benefits in kind £ '000	Pension contr'ns £ '000	2016 Total £ '000	2015 Total £ '000
Aggregate emoluments	546	-1	104	649	661

Non-executive Board Members received emoluments of £47,586 cumulatively, including £10,184 (2015: £10,000) received by the Chair. This excludes the Chief Executive aggregate emoluments as the highest paid director, which is detailed below. Expenses paid during the year to Board members amount to £50 (2015: £0).

	Basic salary £	Benefits in kind £	Pension contr'ns £	2016 Total £	2015 Total £
Colin Sherriff (resigned 31/08/2015)	4,167	-	-	4,167	10,000
Stephen White (appointed 26/08/2015)	5,967	-	50	6,017	-
Anne Bowers	4,500	-	-	4,500	2,250
Dayna Byfield	4,500	-	-	4,500	2,250
Suzanne Davies	4,500	-	-	4,500	2,250
Mash Halai	4,500	-	-	4,500	2,250
Jolyon Griffiths	4,500	-	-	4,500	2,250
Nicky Wilden	4,500	-	-	4,500	2,250
Mary Gibbons	4,500	-	-	4,500	1,402
Stephen Mutton (appointed April 2015)	4,500	-	-	4,500	-
Gordon Wright (appointed December 2015)	1,402	-	-	1,402	-
Aggregate emoluments of Board Members (excluding Chief Executive)	<u>47,536</u>	<u>-</u>	<u>50</u>	<u>47,586</u>	<u>24,902</u>

Cost is recognised in the income statement'

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £124,474 (2015: £129,295). The Chief Executive is a member of the Social Housing Pension Scheme. She is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

Group and Association	Basic salary £ '000	Benefits in kind £ '000	Pension contr'n's £ '000	2016 Total £ '000	2015 Total £ '000
Aggregate emoluments of highest paid director	124	-	28	152	157

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	
	2016 No.	2015 No.
£60,000 to £69,999	5	7
£70,000 to £79,999	2	1
£80,000 to £89,999	1	-
£90,000 to £99,999	1	1
£100,000 to £109,999	2	2
£110,000 to £119,999	-	-
£120,000 to £129,999	1	1
	12	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 (2015: £Nil).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 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	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
United Kingdom Corporation Tax				
Current tax on income for the year	-	75	-	-
Adjustments in respect of prior periods	(56)	32	-	-
Current tax (credit)/ charge for the period	(56)	107	-	-
Deferred tax				
Origination and reversal of timing differences	3	-	-	-
	(53)	107	-	-

## Factors affecting the tax charge for the period

	Group		Association	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Surplus for the year before taxation	2,289	(7,437)	11,470	10,759
Corporation tax at 20% (2015: 21%)	454	(1,562)	2,294	2,259
Effects of:				
Income from exempt activities	(2,711)	(1,547)	(2,294)	(2,259)
Expenses not deductible for tax purposes		6		
Accelerated capital allowances	3	-	-	-
Adjustments in respect of prior years	(56)	32	-	-
FRS 102 revaluation	(40)	42	-	-
Qualifying charitable donations		127		
Deferred tax asset not recognised	2,297	3,009	-	-
	(53)	107	-	-

The Group had a deferred tax asset of £3k as at 31 March 2016 (2015: £nil) in relation to tax losses and 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
<b>Cost</b>					
At 1 April 2015	626,765	20,725	50,156	16,589	714,235
Transfer to investment properties	(514)	-	-	-	(514)
Additions – new properties/ construction	1,618	12,476	(378)	4,390	18,106
Additions – works to existing properties	12,217	(291)	-	(41)	11,885
Schemes completed	7,428	(7,428)	3,524	(3,524)	-
Transfer from/(to) current assets	-	-	(324)	-	(324)
Disposals	(1,073)	-	(3,389)	-	(4,462)
At 31 March 2016	646,441	25,482	49,589	17,414	738,926
<b>Accumulated depreciation and impairment</b>					
At 1 April 2015	44,763	-	1,193	-	45,956
Transfer to investment properties	(8)	-	-	-	(8)
Depreciation charge	6,439	-	319	-	6,758
Impairment charge in the year	-	1,799	-	701	2,500
Disposals	(119)	-	(97)	-	(216)
At 31 March 2016	51,075	1,799	1,415	701	54,990
<b>Net book value</b>					
At 1 April 2015	582,002	20,725	48,963	16,589	668,279
At 31 March 2016	595,366	23,683	48,174	16,713	683,936

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Association	Social housing held for letting £'000	Social housing to let under construction £'000	Shared ownership completed £'000	Shared ownership under construction £'000	Total £'000
<b>Cost</b>					
At 1 April 2015	576,413	12,502	50,156	3,384	642,455
Transfer to investment properties	(514)	-	-	-	(514)
Additions – new properties/ construction	1,618	13,038	(378)	6,844	21,122
Additions – works to existing properties	10,253	(291)	-	(41)	9,921
Schemes completed	7,428	(7,428)	3,524	(3,524)	-
Transfer from/(to) current assets	-	-	(324)	-	(324)
Disposals	(1,073)	-	(3,389)	-	(4,462)
At 31 March 2016	594,125	17,821	49,589	6,663	668,198
<b>Accumulated depreciation and impairment</b>					
At 1 April 2015	42,398	-	1,193	-	43,591
Transfer to investment properties	(8)	-	-	-	(8)
Depreciation charge	6,062	-	319	-	6,381
Impairment charge in the year	-	1,799	-	701	2,500
Disposals	(119)	-	(97)	-	(216)
At 31 March 2016	48,333	1,799	1,415	701	52,248
<b>Net Book Value</b>					
At 1 April 2015	534,015	12,502	48,963	3,384	598,864
At 31 March 2016	545,792	16,022	48,174	5,962	615,950

## 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:

	2016 £ '000	2015 £ '000
Freehold	473,415	459,195
Long leasehold	210,521	209,084
Short leasehold	-	-
At 31 March	<u>683,936</u>	<u>668,279</u>

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

	2016 £ '000	2015 £ '000
Historic cost	635,925	610,720
Accumulated depreciation	(43,996)	(34,954)
At 31 March	<u>591,929</u>	<u>575,766</u>

## Interest capitalisation by the Group

	2016 £ '000	2015 £ '000
Interest capitalised in the year	2,926	2,863
Cumulative interest capitalised	7,390	4,527
At 31 March	<u>10,316</u>	<u>7,390</u>

## Expenditure on works to existing properties by the Group:

	2016 £ '000	2015 £ '000
Amounts capitalised	11,885	8,954
Amounts charged to income statement	3,081	3,035
At 31 March	<u>14,966</u>	<u>11,989</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 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  |
| - Usage categories | - Property Type | deductions for expected    |
|                    |                 | maintenance and management |
|                    |                 | costs                      |

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 2016 of letting properties under the cost model would be £591,929k compared with £683,936k 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 2016 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. However, an impairment provision was made during the year on a scheme in development, comprising 10 affordable units and 5 shared ownership units. The book value of the development was £3,975k and having made allowance for demolition costs, marketing, legal fees and projected sales proceeds of £2,010k a £2,500k impairment provision was raised.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12 Tangible fixed assets – investment properties

Group	Commercial	Market Rent	Total	Total
	2016	2016	2016	2015
	£ '000	£ '000	£ '000	£ '000
<b>Cost or valuation</b>				
At 1 April 2015	39,307	7,749	47,056	43,337
Additions	721	-	721	41
Transfer of engagement from Lee Housing	-	-	-	630
Transfer from housing properties	-	514	514	-
Disposals	(3,250)	-	(3,250)	(1,801)
Revaluation	1,589	579	2,168	4,849
At 31 March 2016	<u>38,367</u>	<u>8,842</u>	<u>47,209</u>	<u>47,056</u>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2015	-	-	-	1,627
Transfer from housing properties	-	8	8	-
Depreciation charged in the year	-	8	8	311
Depreciation released on disposal	-	-	-	(342)
Depreciation reversed on revaluation	-	(8)	(8)	(1,596)
At 31 March 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>				
At 31 March	<u>38,367</u>	<u>8,842</u>	<u>47,209</u>	<u>47,056</u>
<b>Association</b>				
	Commercial	Market Rent	Total	Total
	2016	2016	2016	2015
	£ '000	£ '000	£ '000	£ '000
<b>Cost or valuation</b>				
At 1 April 2015	33,953	7,014	40,967	37,457
Additions	646	-	646	41
Transfer of engagement from Lee Housing	-	-	-	630
Transfer from housing properties	-	514	514	-
Disposals	(3,250)	-	(3,250)	(1,801)
Revaluation	919	534	1,453	4,640
At 31 March 2016	<u>32,268</u>	<u>8,062</u>	<u>40,330</u>	<u>40,967</u>
<b>Accumulated depreciation and impairment</b>				
At 1 April 2015	-	-	-	1,457
Depreciation charged in the year	-	8	8	272
Depreciation released on disposal	-	-	-	(342)
Depreciation reversed on revaluation	-	(8)	(8)	(1,387)
At 31 March 2016	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net book value</b>				
At 31 March	<u>32,268</u>	<u>8,062</u>	<u>40,330</u>	<u>40,967</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 12 Tangible fixed assets – investment properties

## 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:

- Annual rent per square metre: £73 - £538, with a weighted average of £192
- Capitalisation rate: 5.0% - 10.0%, with a weighted average of 6.35%.

The surplus on revaluation of investment property arising of £2,168k (Association - £1,453k) has been credited to the Statement of Comprehensive Income for the year.

## 13 Tangible fixed assets - other

Group and Association	Furniture, fixtures & fittings £'000	Computers & office equipm't £'000	Total £'000
<b>Cost</b>			
At 1 April 2015	3,023	8,975	11,998
Additions	1	929	930
At 31 March 2016	<u>3,024</u>	<u>9,904</u>	<u>12,928</u>
<b>Accumulated depreciation</b>			
At 1 April 2015	2,316	7,078	9,394
Charged in year	121	873	994
Disposals	-	-	-
At 31 March 2016	<u>2,437</u>	<u>7,951</u>	<u>10,388</u>
<b>Net book value</b>			
At 1 April 2015	707	1,897	2,604
At 31 March 2016	<u>587</u>	<u>1,953</u>	<u>2,540</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 14 Investment in subsidiaries

## Association

	2016 £ '000	2015 £ '000
Investment in Origin Properties Limited	7,372	17,097
Investment in other subsidiaries	50	50
	<u>7,422</u>	<u>17,147</u>

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 £7,372k (2015: £17,097k).

## 15 Properties for held sale

	Group		Association	
	2016 £ '000	2015 £ '000	2016 £ '000	2015 £ '000
Properties under construction	19,460	27,687	3,920	2,178
Capitalised interest (properties under construction)	2,211	2,114	50	49
Completed properties	-	1,494	-	1,494
	<u>21,671</u>	<u>31,295</u>	<u>3,970</u>	<u>3,721</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 16 Debtors

	Group	Group	Association	Association
	2016	2015	2016	2015
	£ '000	£ '000	£ '000	£ '000
Rent and service charges receivable	3,041	4,197	2,517	3,984
Provision for bad and doubtful debts	(438)	(1,674)	(415)	(1,567)
	<u>2,603</u>	<u>2,523</u>	<u>2,102</u>	<u>2,417</u>
Social Housing Grant receivable	-	238	-	238
Commercial rent and service charge arrears	406	1,422	320	1,392
Amounts due from Group companies	-	-	11,858	12,690
Prepayments and accrued income	1,641	1,479	1,641	864
Other debtors	874	1,016	722	846
	<u>5,524</u>	<u>6,678</u>	<u>16,643</u>	<u>18,447</u>

## 17 Creditors: amounts falling due within one year

	Group	Group	Association	Association
	2016	2015	2016	2015
	£ '000	£ '000	£ '000	£ '000
Debt (note 19)	4,422	3,726	3,761	3,817
Trade creditors	1,381	2,538	986	1,794
Grants received in advance	172	228	172	172
Amounts owed to Group companies	-	-	871	11
Recycled capital grant fund (note 21)	243	54	243	54
Corporation tax	-	56	-	-
Other taxation and social security	267	254	245	224
Leaseholder sinking funds	1,023	826	1,023	826
Accrued interest	2,798	2,876	2,206	2,297
Capital accrual	465	2,472	465	2,472
Deferred income	494	892	367	892
Provision (note 22)	183	-	183	-
Other creditors and accruals	7,919	4,959	6,362	3,796
	<u>19,367</u>	<u>18,881</u>	<u>16,884</u>	<u>16,355</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

	Group	Group	Association	Association
	2016	2015	2016	2015
	£ '000	£ '000	£ '000	£ '000
Loans (note 19)	301,980	292,868	261,980	252,868
Fair value of financial instruments	15,922	4,688	-	-
Deferred financing costs (note 19)	(1,652)	(1,736)	(865)	(859)
Recycled capital grant fund (note 21)	1,990	885	1,990	885
<b>Total Loans</b>	<b>318,240</b>	<b>296,705</b>	<b>263,105</b>	<b>252,894</b>

## 19 Debt

	Group	Group	Association	Association
	2016	2015	2016	2015
	£ '000	£ '000	£ '000	£ '000
<b>Due within one year</b>				
Bank loans	4,711	3,873	3,888	3,873
	4,711	3,873	3,888	3,873
Deferred financing costs	(289)	(147)	(127)	(56)
	4,422	3,726	3,761	3,817
<b>Due after more than one year</b>				
Bank loans	251,937	242,825	116,937	125,825
Movement in fair value of financial instruments (note 19)	15,922	4,688	-	-
Other loans	43	43	43	43
Bond Issue	50,000	50,000	-	-
Loans from subsidiaries	-	-	145,000	127,000
	317,902	297,556	261,980	252,868
Deferred financing costs	(1,652)	(1,736)	(865)	(859)
	316,250	295,820	261,115	252,009
<b>Between one and two years</b>	18,749	3,888	18,749	3,888
<b>Between two and five years</b>	74,871	55,426	74,871	55,426
<b>In five or more years</b>	224,282	238,242	168,360	193,554
	317,902	297,556	261,980	252,868
Deferred financing costs	(1,652)	(1,736)	(865)	(859)
	316,250	295,820	261,115	252,009
<b>Total debt</b>				
Loans	322,613	301,429	265,868	256,741
Deferred financing costs	(1,941)	(1,883)	(992)	(915)
	320,672	299,546	264,876	255,826

## 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 0.89% to 12.46% (2015: 0.88% 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 complex financial instruments are measured at fair value through the profit or loss. Consequently, this has led to a movement in fair value of £11,235k.

## 20 Deferred government grant

	Group		Association	
	2016 £ '000	2015 £ '000	2016 £ '000	2015 £ '000
At 1 April	159,616	155,367	156,893	152,614
Grant received in the year	707	2,316	180	2,316
Grant repaid in the year	(427)	-	(427)	-
Transfer of engagement from Lee Housing	-	4,410	-	4,410
Transfer from RCGF	42	71	-	71
Homebuy redemption	(64)	(254)	(64)	(254)
Recycled on disposals	(1,272)	(383)	(1,272)	(383)
Transferred to subsidiary	-	-	(236)	-
Amortisation	(1,919)	(1,911)	(1,889)	(1,881)
At 31 March	156,683	159,616	153,185	156,893

## 21 Recycled capital grant fund

Group and Association	2016 £ '000	2015 £ '000
At 1 April	939	369
Grants recycled	1,336	638
Interest accrued	-	3
Purchase/ development of properties	(42)	(71)
At 31 March	2,233	939
Disclosed as:		
Amounts falling due within one year (note 17)	243	54
Amounts falling due after more than one year (note 18)	1,990	885
	2,233	939
Amount due for repayment to the Homes and Communities Agency and Greater London Authority	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 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 17.

Other provisions for liabilities and charges	Restructure	Litigation	Total
	£ '000	£ '000	£ '000
Provision at 1 April 2015	-	-	-
Insurance claim	-	140	140
Restructure of Care & Support Directorate	43	-	43
At 31 March 2016	<u>43</u>	<u>140</u>	<u>183</u>

## 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	2016	2015
	£	£
<b>Shares of £1 each issued and fully paid</b>		
At 1 April	37	40
Shares issued during the year	2	1
Shares surrendered during the year	(7)	(4)
At 31 March	<u>32</u>	<u>37</u>

## 24 Financial commitments

Capital expenditure commitments were as follows:

	Group	Group	Association	Association
	2016 £ '000	2015 £ '000	2016 £ '000	2015 £ '000
Expenditure contracted for but not provided in the accounts	18,472	4,759	5,035	1,120
Expenditure authorised by the Board, but not contracted	79,026	102,675	4,251	9,503
	<u>97,498</u>	<u>107,434</u>	<u>9,286</u>	<u>10,623</u>

The above commitments will be financed primarily through borrowings (£98m).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 24 Financial commitments (Continued)

Commitments under operating leases were as follows:

Office equipment and computers

<b>Group and Association</b>	<b>2016</b>	<b>2015</b>
	<b>£ '000</b>	<b>£ '000</b>
Operating lease payments due:		
- Within one year	75	120
- One to five years	661	674
* – Later five years	71	83
	<u>807</u>	<u>877</u>

## 25. Financial Instruments

	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>
<b>Financial assets</b>		
Financial assets measured at historical cost		
Trade receivables	5,524	6,678
Cash and cash equivalents	26,269	8,477
Total financial assets	<u>31,793</u>	<u>15,155</u>
<b>Financial liabilities</b>		
Financial liabilities measured at historical cost		
- Trade creditors	14,963	15,155
Financial liabilities measured at amortised cost		
- Loans payable	259,750	249,858
Derivative financial instruments	60,922	49,688
Total financial liabilities	<u>335,635</u>	<u>314,701</u>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**26 Contingent liabilities**

The Group (and Association) had contingent liabilities of £35k in relation to on-going disputes (2015: £35k).

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	
	2016 £ '000	2015 £ '000	2016 £ '000	2015 £ '000
Floating rate	69,430	33,198	65,715	33,198
Fixed rate	253,183	268,231	200,153	223,543
Total	<u>322,613</u>	<u>301,429</u>	<u>265,868</u>	<u>256,741</u>

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 5.46% (2015: 5.46%) and the average period for which it is fixed is 18 years (2015: 18 years).

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

The debt maturity profile is shown in note 20.

**Borrowing facilities**

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

	2016 £ '000	2015 £ '000
Expiring between two to five years	<u>75,000</u>	<u>58,000</u>



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28 Related parties

The Board includes one tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. The rent charged for the year was £6,020 (2015: 5,796) and the tenant had an credit balance of £Nil at the 31 March 2016 (31 March 2015: credit balance of £460).

The Board includes one leasehold member who holds a lease on normal terms and cannot use their position to their advantage. The charges charged for the year was £1,038 and the leaseholder had an arrears balance of £3 at the 31 March 2016.

These tenancies are on normal commercial terms and they are not able to use their position to their advantage.

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

## Intra-Group loans

## Entity granting loan

## Entity receiving loan

		2015 £'000	Movement £'000	2016 £'000
Origin Housing Ltd	Origin Properties Ltd	17,219	(9,847)	7,372
Origin Housing 2 Ltd	Origin Properties Ltd	1,378	5,254	6,632
Origin Housing 2 Ltd	Origin Housing Development Ltd	20,738	(10,649)	10,089
Origin Properties Ltd	Origin Housing Development Ltd	6,080	(4,600)	1,480
Origin Finance Ltd	Origin Housing Ltd	117,000	18,000	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
		<u>212,415</u>	<u>(1,842)</u>	<u>210,573</u>

## Management charges

## Interest charges

Payable to Origin Housing Ltd by subsidiaries:

	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Origin Properties Ltd	26	-	633	591
Origin Housing Development	-	-	519	596
Origin Finance Ltd	-	-	-	-
Origin Finance 2	-	-	-	-
Origin Housing 2	753	734	-	-
	<u>779</u>	<u>734</u>	<u>1,152</u>	<u>1,187</u>

## Management charges

## Interest charges

Payable by Origin Housing Ltd to subsidiaries:

	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Origin Properties Ltd	-	-	-	-
Origin Housing Development	-	-	-	-
Origin Finance Ltd	15	11	6,091	5,535
Origin Finance 2	2	2	477	480
Origin Housing 2	-	-	-	-
	<u>17</u>	<u>13</u>	<u>6,568</u>	<u>6,015</u>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 29 Post balance sheet events

There are no post balance sheet events.

## 30 Legislative provisions

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

## 31 Acquisition of subsidiary

There were no acquisitions of subsidiaries during the year.

## 32 First time adoption of FRS 102

First time adoption of FRS 102 – Group	Note	Reserves as at 1 April 2014 £'000	Surplus for year ended 31 March 2015 £'000	Reserves at 31 March 2015 £'000
<b>Capital and Reserves (UK GAAP)</b>		<b>95,149</b>	<b>18,002</b>	<b>113,151</b>
<b>Transitional adjustments</b>				
<i>Social housing properties revaluation to deemed cost</i>	11	110,800	-	110,800
<i>Depreciation on deemed costs</i>	11	-	300	300
<i>Increased depreciation on removal of grant</i>	11	(15,032)	(3,978)	(19,010)
<i>Amortisation of housing grant</i>		82,658	1,936	84,594
<i>Reversal of amortised grant on properties sold</i>		-	(24)	(24)
<i>Impairment released</i>		3,491	(493)	2,998
<i>Revaluation of market rent properties</i>		4,891	60	4,951
<i>Reversed depreciation on revalued market rent properties</i>		198	25	223
<i>Reclassification of commercial properties</i>		(1,747)	-	(1,747)
<i>Annual leave accrued</i>		(130)	7	(123)
<i>Pension fund liability</i>		(4,128)	182	(3,946)
<i>Movement in fair value of financial instruments</i>		18,865	(23,553)	(4,688)
<i>Reversal of current debtor provision</i>		117	(5)	112
<b>Capital and Reserves (FRS 102)</b>		<b>295,132</b>	<b>(7,541)</b>	<b>287,591</b>

## Explanation of changes to previously reported profit and equity

## a. Deemed cost valuation

Section 35 of FRS 102 allows first-time adopters to elect to measure Property Plant And Equipment (PPE), at its fair value at the date of transition and use that fair value as its deemed cost at that date.

Section 17 of FRS 102 states that any gain in revaluation must be recognised within comprehensive income and the revaluation reserves, any losses must be offset by any gains recognised in the revaluation reserve and then must be recognised within surplus/deficit before taxation.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32 First time adoption of FRS 102 (Continued)**

Adoption of the deemed cost option has resulted in a net increase in fixed assets at 1 April 2014 of £332,176k with £110,800k of revaluation gains credited to revaluation reserve, a charge to income and expenditure reserves of £115,032k in respect of increased depreciation in respect of the removal of grant, and £82,658k of amortised grant. Consequently, depreciation for the year ending 31 March 2015 has increased by £3,978k and amortised grant by £1,936k.

**b. Government grants**

Social Housing Grant can no longer be offset against housing property within fixed assets and under section 24 of FRS 102, where properties are held at deemed cost. The related social housing grant will be recognised initially under the performance model with subsequent grants measured using the 'accrual model' with the grant amortised over the life of the structure and components of the property.

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

Grants due from government organisations or received in advance are included as current assets or liabilities.

The effect on the 1 April 2015 balance sheet is the net movement of £155,367k to long term creditors, and £1,911k social housing grant to reserves. Movements to the long term creditor grants during 2014/5 are shown in note 21.

**c. Investment property**

Section 16 of FRS 102 requires market rent property, previously held as housing properties but meet the definition of an investment property, to be separately disclosed and subsequently measured at fair value with any gains and losses recognised through the income and expenditure statement with no depreciation charge.

This has the effect of moving property value of £2,574k, re-valued up to £7,465k into the investment property category at 1 April 2014 and a fair value increase of £60k recognised for the year ending 31 March 2015.

As market rent properties were previously being depreciated under UK GAAP, the accumulated depreciation as at the 1 April 2014 of £198k, and £25k charged as at the 31 March 2015 were reversed.

Revaluation surplus of £7487, previously recognised from the revaluation of commercial properties has been transferred to the revenue reserves as at 31 March 2015.

**d. Annual leave accrued**

FRS 102 requires the cost of all employee benefits to which employees have become entitled as a result of their service to Origin during the reporting period to be included as a liability and as an expense. This has resulted in £130k being expensed to the revenue reserve as at 1 April 2014, reduced by £7k for the year ended 31 March 2015.

**e. Pension fund liability**

FRS 102 requires Origin Housing, being a member of SHPS multi-employer defined benefit pension plan, to recognise a liability for its' contributions payable to fund the deficit of the scheme. The total liability recognised at 1 April 2014 was £4,129k, decreased by £182k for the year ending 31 March 2015 following an actuarial valuation as at 30 September 2014.

**f. Debtor provision**

General provisions for bad debts are no longer permitted. Provisions have to be raised against individual balances, resulting in the reversal of £112k as at 31 March 2015.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 32 First time adoption of FRS 102 (Continued)

First time adoption of FRS 102 – Association	Note	Reserves as at 1 April 2014 £'000	Surplus for year ended 31 March 2015 £'000	Reserves at 31 March 2015 £'000
<b>Capital and Reserves (UK GAAP)</b>		98,093	16,749	114,842
<i>Transitional adjustments</i>				
<i>Social housing properties revaluation to deemed cost</i>		77,611	-	77,611
<i>Depreciation on deemed costs</i>		-	329	329
<i>Increased depreciation on removal of grant</i>		(15,021)	(3,945)	(18,966)
<i>Amortisation of housing grant</i>		81,803	1,905	83,708
<i>Reversal of amortised grant on properties sold</i>			(24)	(24)
<i>Impairment released</i>		3,491	(493)	2,998
<i>Revaluation of market rent properties</i>		4,225	38	4,263
<i>Reversed depreciation on revalued market rent properties</i>		198	25	223
<i>Reclassification of commercial properties</i>		(1,747)	-	(1,747)
<i>Annual leave accrued</i>		(130)	7	(123)
<i>Pension fund liability</i>		(4,128)	182	(3,946)
<i>Reversal of current debtor provision</i>		117	(12)	105
<b>Capital and Reserves (FRS 102)</b>		<b>244,512</b>	<b>14,761</b>	<b>259,273</b>

## Explanation of changes to previously reported profit and equity

## a. Deemed cost valuation

Section 35 of FRS 102 allows first-time adopters to elect to measure property plant and equipment (PPE), at its fair value at the date of transition and use that fair value as its deemed cost at that date.

Section 17 of FRS 102 states that any gain in revaluation must be recognised within comprehensive income and the revaluation reserves, any losses must be offset by any gains recognised in the revaluation reserve and then must be recognised within surplus/deficit before taxation.

Adoption of the deemed cost option has resulted in a net increase in fixed assets at 1 April 2014 of £295,436k with £77,611k of revaluation gains credited to revaluation reserve and a charge to income and expenditure reserves of £15,021k in respect of increased depreciation and £81,803k in respect of the removal and amortisation of grant. Consequently, depreciation for the year ending 31 March 2015 has increased by £3,945k and amortised grant by £1,905k.

## b. Government grants

Social Housing Grant can no longer be offset against housing property within fixed assets and under section 24 of FRS 102, where properties are held at deemed cost. The related social housing grant will be recognised initially under the performance model with subsequent grants measured using the 'accrual model' with the grant amortised over the life of the structure and components of the property.

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

Grants due from government organisations or received in advance are included as current assets or liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)****32 First time adoption of FRS 102 (Continued)**

The effect on the 1 April 2015 balance sheet is the movement of £1,881k social housing grant to reserves and £156,893k to long term creditors. Movements to the long term creditor grants during 2014/5 are shown in note 21.

**c. Investment property**

Section 16 of FRS 102 requires market rent property, previously held as housing properties but meet the definition of an investment property, to be separately disclosed and subsequently measured at fair value with any gains and losses recognised through the income and expenditure statement with no depreciation charge.

This has the effect of moving property value of £2,528k, re-valued up to £6,753k into the investment property category at 1 April 2014 and a fair value increase of £38k recognised for the year ending 31 March 2015.

**d. Annual leave accrued**

FRS 102 requires the cost of all employee benefits to which employees have become entitled as a result of their service to Origin during the reporting period to be included as a liability and as an expense. This has resulted in £130k being expensed to the revenue reserve as at 1 April 2014, reduced by £7k for the year ended 31 March 2015.

**e. Pension fund liability**

FRS 102 requires Origin Housing, being a member of SHPS multi-employer defined benefit pension plan, to recognise a liability for its' contributions payable to fund the deficit of the scheme. The total liability recognised at 1 April 2014 was £4,129k, decreased by £182k for the year ending 31 March 2015 following an actuarial valuation as at 30 September 2014.

**f. Debtor provision**

General provisions for bad debts are no longer permitted. Provisions have to be raised against individual balances resulting in the reversal of £105k as at 31 March 2015.