

Wansbeck Homes Limited

Report of the Board of Management
and Financial Statements
Registered Society Number 30079R
31 March 2017

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Report of the Board of Management

BOARD OF MANAGEMENT

Chair:	W Worth I Armstrong	(appointed 1 June 2016) (resigned 31 May 2016)
Members:	S Anderson L Charles-Jones (co-optee) K Cochrane F Foster J Holmes (co-optee) D Jennings (co-optee) J Manuel H Parker A Pegg B Renforth K Riddell X Setna T Stevenson A Tarn	(appointed 1 June 2016) (appointed 1 March 2017) (resigned 31 May 2016) (resigned 31 May 2016) (appointed 1 March 2017) (appointed 1 July 2017) (resigned 31 May 2016) (appointed 1 June 2016) (appointed 1 June 2016)

SENIOR MANAGEMENT TEAM

Group Chief Executive:	W Heads	
Group Deputy Chief Executive:	J Johnston	
Executive Director, Finance and Corporate Services:	M Axe	(from 1 June 2016)
Executive Director, Finance:	M Smith	(to 31 May 2016)
Company Secretary:	M Axe W Heads	(from 1 June 2016) (to 31 May 2016)
Registered Office:	Oakwood Way Ashwood Business Park Ashington Northumberland NE63 0XF	
Auditor:	KPMG LLP Quayside House 110 Quayside Newcastle upon Tyne NE1 3DX	
Principal solicitors:	Bond Dickinson One Trinity, Broad Chare Newcastle upon Tyne NE1 2HF	
Principal bankers:	Barclays Bank plc Barclays House 5 St Ann's Street Quayside Newcastle upon Tyne NE1 3DX	
Other information:	A Registered Society (under the Co-operative and Community Benefit Societies Act 2014) No. 30079R Registered with the Homes and Communities Agency (HCA) No L4516	

Strategic Report of the Board of Management

Principal Activities

Wansbeck Homes Limited (the “Association”) is a Private Registered Provider (PRP), which is registered with the Financial Conduct Authority (FCA) under the Co-operative and Community Benefit Society Act 2014 as a Registered Society (RS) that also has charitable status.

The principal activity of the Association is the maintenance and management of social housing for rent.

Performance for the Year

The Association’s operating results have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for registered social housing providers.

The operating results are in line with budgets and forecasts. The operating surplus of £3,957,000 (2016: £4,996,000), shows a decline in performance, however this is mainly due to higher routine repairs expenditure, £806,000. Income from lettings has remained comparable year on year as income from new developments has been offset by the Government’s change in the rent formula, whereby a four year 1% real rent reduction has come into effect. 2017 is the first of these four years.

The Association’s development programme is an important part of the organisation’s activity. The Association has a programme of 104 new units to be developed as part of the Homes and Communities Agency (HCA) Affordable Development Programme 2015 – 2020. During the year, all units were completed.

The Association has maintained a strong asset base and ensures it has sufficient reserves (2017: £46,935,000; 2016 £42,252,000) to meet future stock reinvestments and to manage exposure to risk.

Future developments

On 1 June 2016, Four Housing Group merged with Bernicia Group and Bernicia Group Limited became the new Group parent for all members. To date the merger has generated savings that have exceeded initial plans and projections. These efficiencies will enable the Association to maintain levels of service despite the planned rent reductions.

A three phase plan to fully implement the merger and maximise the benefits over the first four years was established at the outset, with the phases being:

- Consolidation
- Integration
- Simplification

The three phase plan has been accelerated, and it is now the aim of the Group to deliver all phases by the end of the second year, 2017/18. During 2016/17 the consolidation phase completed and the integration of teams commenced. Integration will be fully completed by October 2017. During 2016/17 the Board also approved in principle the business case to simplify the Group. The target date for this is 31 March 2018. It is estimated that the simplification of the Group will improve the Groups 30 year business plan by over £24million over the life of the plan, and will also ensure that financial capacity across the Group is released. Therefore, simplification is one of the main priorities for the forthcoming year.

During 2017/18 the Board will consider strategies in respect of Housing, ICT, Asset, Development and People. All of these strategies will inform the Group’s new Business Strategy, and all will be effective from 1 April 2018. A new Value for Money strategy will also be developed to reflect the new Business Strategy. The strategies will provide clear links to the actions in the updated value for money action plan.

The Association continues to complete its commitments to the HCA under the 2015-20 Affordable Housing Programme. Funding was awarded to develop 104 units.

Strategic Report of the Board of Management *(continued)*

As part of the Bernicia Group, the Association will also be seeking to generate efficiencies through the development of shared services across the Group.

Value for money

The Association is an active contributor to the Value for Money (VFM) objectives of its parent company (Bernicia). Details of the Group's Value for Money objectives are described in detail in the Group financial statements and a full copy of the Group's VFM Statement is available on the website (www.bernicia.com).

Corporate Governance

The Association has adopted the NHF 2015 Code of Governance and complied fully with it in 2016/17. The Board has also adopted the NHF Code of Conduct 2012. Copies of the Association's policies are available on request.

A statement of the responsibilities of the Board of Management in respect of the financial statements is given on page 7. Below is a brief description of the role of the Board followed by a statement regarding the Association's internal controls.

The Association recognises that good governance is a pre-requisite to excellent performance. The Association continually reviews and benchmarks its governance arrangements to ensure that it can comply with the highest standards of corporate governance and has systems in place to deal effectively with governance issues as they inevitably arise.

The Association complies with the current HCA Governance and Financial Viability Standard. In particular, it does so by:

- (a) maintaining a thorough, accurate and up to date record of its assets and liabilities and particularly those liabilities that may have recourse to social housing assets
- (b) carrying out detailed and robust stress testing against identified risks and combinations of risks across a range of scenarios and putting appropriate mitigation strategies in place as a result
- (c) before taking on new liabilities, ensuring that it understands and manages the likely impact on current and future business and regulatory compliance.

Tenant Involvement

The Association encourages tenant involvement in all aspects of the business including individual consultation on operational matters and tenant scrutiny panels. Service users' opinions are canvassed regularly on an individual basis, and collectively periodically. Tenants' scrutiny panels and other representative forums help staff to put customer priorities into policy and practice. Clear reporting arrangements exist between tenant groups and the Board. The Association is committed to improving further opportunities for tenant involvement and the scrutiny of performance.

The Board

The Board comprises members with a wide range of skills and experience who are recruited openly by public advert. Following the merger of Bernicia Group and Four Housing Group on 1 June 2016, the Board members changed as outlined on page 1.

The Board holds at least six meetings per annum, setting and monitoring the strategy and performance, ensuring adequate funding and formulating policy on key issues. There are also two committees; the Audit Committee and the Remuneration, Resources and Appointments Committee, to which it has delegated some of its Board function. Representatives from the Association sit on both committees. Day to day management is delegated to the Group Chief Executive and the other executive officers as part of the new merged group arrangements. The Bernicia executive management team comprises the Group Chief Executive, the Deputy Chief Executive and the Executive Director, Finance and Corporate Services. It meets regularly and members attend meetings of the Boards and committees.

Strategic Report of the Board of Management *(continued)*

Audit Committee

The Board has constituted a separate Audit Committee that operates across the Group, which has delegated authority from the Board. Internal and external audit matters are reported to this committee, and the internal and external auditors are invited to attend relevant meetings as appropriate. The committee and the auditors have the opportunity to meet without any officers present at least annually.

Key Elements of Internal Control

The Board, working with the Audit Committee and the Executive team, have established a framework of controls which are in place across the Group:

Internal Audit & Non-Negotiable Controls - RSM provided internal audit services during 2016-17 for both Four Housing (during Quarter 1) and Bernicia. They had direct access to the Audit Committee and worked in line with recognised Internal Auditing standards and the associated code of practice. They followed approved internal audit plans, based on the assessment of risk. During this accounting year, the following activities were examined by internal audit, with all providing either substantial or reasonable assurance and with no high level actions identified:

Follow Up of Recommendations, Data Quality, Lifts and Commercial Boilers, Procurement, Planned Maintenance (Financial Control), Policies, Safeguarding (including Lone Working)*, Agency Managed*, Estates Inspections*, Service Charges*, Legionella*, Legionella, Asset and Liability Register, Non-Negotiable Controls, Gas Service Data, Voids (PMD Focused), Key Financial Controls*. (*Audits applied to only Four Housing Group companies.)

The annual audit opinion confirmed an adequate and effective framework for risk management, governance and internal control is in place, with some further enhancements recommended to ensure it remains this way. A programme of non-negotiable control testing was also carried out by a dedicated Business Assurance Team, with results reported to Audit Committee on a quarterly basis.

Business Continuity - A Business Continuity Plan (BCP) is in place and actively managed.

Anti-Fraud Measures - The Group has anti-fraud policy and procedures around the prevention, reporting and investigating of alleged fraud which were updated during the year. Briefings were also undertaken with staff during the year to raise awareness. There were no known instances of attempted or actual fraud resulting in material financial loss to the Group during 2016-17.

Anti-Money Laundering Policy - The Group has an approved anti-money laundering policy, highlighting responsibilities regarding the prevention and detection of money laundering and procedures for where it is detected or suspected. The Governance Manager is designated Money Laundering Reporting Officer. A number of large cash transaction entries were made into the register during the year, but no reports required submission to the authorities.

Risk Management

The Group has Business Assurance and Risk Management Frameworks which contribute to the identification and mitigation of current and future risks. There are Strategic, Executive and Operational Risk Registers which are reviewed regularly by staff and members. Staff also received briefings and support from the Business Assurance Team.

Policies on Internal Control - The Group has established policies and procedures to monitor and emphasise the need for strong internal control. These include Standing Orders and Financial Regulations that require adequate segregation of duties. A Scheme of Delegation sets out delegated powers of committees of the Board and Officers of the Group. These were reviewed and approved during 2016-17.

Report of the Board of Management *(continued)*

Reports to the Board - Regular reports to the Board provide information on financial and operational progress against objectives. Performance is measured against agreed KPI's and externally benchmarked. Budgets are set before the beginning of each financial year. Reports on income and expenditure against these budgets are presented to the Board on a quarterly basis. Variance analysis and any corrective action is proposed and discussed at the Board meetings. Board also scrutinised Value for Money and efficiency, as well as receiving information in respect of loan covenant compliance. All reports to the Board contain consideration of risk, particularly around the financial impact of any proposed actions. The Business Plan and key assumptions are reviewed regularly and subject to stress testing with the involvement of members. Board is provided with minutes of all committee meetings. Funders were also provided with financial performance information.

Recruitment and development of staff - The quality and integrity of staff are essential for maintaining good internal control. The Group continued to ensure staff had the necessary competences and qualifications for their role through development, training, appraisal and performance management. All underpinned by HR-related policies including Standards of Behaviour, Disciplinary Policy, Grievance Policy and Whistleblowing Policy.

Probity Policy - A Probity Policy is in place as part of Standing Orders and is based on National Housing Federation guidance. It was reviewed during the year. The Group made the required Slavery and Human Trafficking Statement during 2016-17. There were no significant breaches reported during the year in relation to probity.

Code of Governance - In accordance with the Regulatory Standard on 'Governance and Financial Viability,' the Group is compliant with the 2015 National Housing Federation code 'Promoting board excellence for housing associations'.

Compliance with the Regulatory Framework – There were no regulatory interventions during the year and we continue to operate within the standards laid down by our Regulators.

Summary

The Board delegated authority for the review of the internal control framework to the Audit Committee. The Chief Executive's annual report on internal control assurance, combined with internal audit assurance levels have been considered by Audit Committee and they offered a reasonable to significant level of assurance. The compiling of the Statement on Internal Control did not identify any significant material breaches, either in the controls themselves, or around sources of assurance. Audit Committee has carefully considered the statement and has recommended it to Group Board, who fully retains overall responsibility for the effectiveness of internal control.

The Board concludes that an effective system of internal control has been in place for the year ended 31 March 2017.

Going Concern

The Association's business activities, together with the factors likely to affect its future development, performance and position are described in the Report of the Board of Management on page 2.

The Association meets its day to day working capital requirements through the current account, which is cash positive at the year end. The Association meets its development programme requirements through a combination of grant and debt funding. Note 21 to the accounts highlights the current level of debt and repayment terms. The current economic conditions create uncertainty particularly over the longer term availability of grant and bank finance.

The Association's forecasts and projections show that the Association should be able to continue to operate within the level of its current facilities and no matters have been drawn to its attention to suggest that future funding may not be forthcoming on acceptable terms.

After making enquiries, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Report of the Board of Management *(continued)*

Disclosure of Information to the Auditor

The Board members, who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditor is aware of that information.

Auditor

In accordance with Section 83 of the Co-operative and Community Benefit Societies Act 2014, a resolution for the re-appointment of KPMG LLP as auditor of the Association is to be proposed at the forthcoming Annual General Meeting.

The Report of the Board of Management was approved on 25 July 2017 and signed on its behalf by:



W Worth
Chair

Oakwood Way
Ashwood Business Park
Ashington
Northumberland
NE63 0XF

25 July 2017

Statement of Board's responsibilities in respect of the annual report and the financial statements

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

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

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2016. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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



KPMG LLP

Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Independent auditor's report to Wansbeck Homes Limited

We have audited the financial statements of Wansbeck Homes Limited for the year ended 31 March 2017 set out on pages 10 to 39. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 7, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

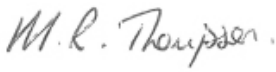
- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2017 and of its income and expenditure for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Independent auditor's report to Wansbeck Homes Limited (*continued*)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

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



Mick Thompson
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

31 July 2017

Statement of Comprehensive Income for the year ended 31 March 2017

	Note	2017 £000	2016 £000
Turnover	2	27,257	25,309
Cost of sales	2	(2,637)	(644)
Operating expenditure (including £132k due to restructuring (2016: £nil))	2.8	(20,663)	(19,669)
		<hr/>	<hr/>
Operating surplus		3,957	4,996
Gain on disposal of tangible fixed assets	7	258	276
Interest receivable and similar income	11	35	73
Interest payable and similar charges	12	(416)	(442)
Other finance income	13	39	20
Other income	14	-	356
		<hr/>	<hr/>
Surplus on ordinary activities before taxation	2-14	3,873	5,279
Tax on surplus on ordinary activities	15	-	-
		<hr/>	<hr/>
Surplus on ordinary activities after taxation		3,873	5,279
Actuarial gain in respect of pension schemes	23	810	590
		<hr/>	<hr/>
Total comprehensive income for the financial year		4,683	5,869
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 39 form an integral part of these financial statements.

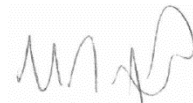
These financial statements were approved by the Board on 25 July 2017 and were signed on its behalf by:



W Worth
Chair



S Anderson
Member



M Axe
Secretary

Statement of Financial Position
at 31 March 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	16	81,422	80,591
		<hr/>	<hr/>
		81,422	80,591
Current assets			
Stock	17	153	151
Debtors (including £26,870k (2016: £33,660k) due after more than one year)	18	28,194	34,500
Cash and cash equivalents	19	20,082	14,184
		<hr/>	<hr/>
		48,429	48,835
Creditors: amounts falling due within one year	20	(10,577)	(7,171)
		<hr/>	<hr/>
Net current assets		37,852	41,664
Pension asset	23	1,500	720
		<hr/>	<hr/>
Total assets less current liabilities		120,774	122,975
Creditors: amounts falling due after more than one year	21	(46,969)	(47,063)
Provisions for liabilities and charges	22	(26,870)	(33,660)
		<hr/>	<hr/>
Net assets		46,935	42,252
		<hr/> <hr/>	<hr/> <hr/>
Reserves			
Share capital	24	-	-
Income and expenditure reserve		46,935	42,252
		<hr/>	<hr/>
Total reserves		46,935	42,252
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 13 to 39 form an integral part of these financial statements.

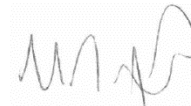
These financial statements were approved by the Board on 25 July 2017 and were signed on its behalf by:



W Worth
Chair



S Anderson
Member



M Axe
Secretary

Registered society number: 30079R

Statement of Changes in Reserves

	Called up share capital	Income and expenditure reserve	Total reserves
	£000	£000	£000
Balance at 1 April 2015	-	36,383	36,383
Total comprehensive income for the period			
Surplus from statement of comprehensive income	-	5,279	5,279
Actuarial gain	-	590	590
Balance at 31 March 2016	-	42,252	42,252

	Called up share capital	Income and expenditure reserve	Total reserves
	£000	£000	£000
Balance at 1 April 2016	-	42,252	42,252
Total comprehensive income for the period			
Surplus from statement of comprehensive income	-	3,873	3,873
Actuarial gain	-	810	810
Balance at 31 March 2017	-	46,935	46,935

Notes (forming part of the financial statements)

1 Accounting policies

Wansbeck Homes Limited (the "Association") is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is a Private Registered Provider.

These financial statements were prepared in accordance with the Housing SORP 2014: Statement of Recommended Practice for registered social housing providers, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015 and Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Association's ultimate parent undertaking, Bernicia Group Limited includes the Association in its consolidated financial statements. The consolidated financial statements of Bernicia Group Limited are available to the public and may be obtained from Oakwood Way, North Seaton Industrial Estate, Ashington, Northumberland NE63 0XF. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Bernicia Group Limited include the equivalent disclosures, the Association has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The Association is a Public Benefit Entity as defined by FRS 102 and has applied the relevant accounting standards accordingly.

Measurement convention

The financial statements are prepared on the historical cost basis.

Basis of consolidation

As a wholly owned subsidiary of Bernicia Group Limited, the results of the Association have been consolidated in those financial statements in accordance with FRS 102.9.

Turnover

Turnover represents rental income receivable, fees receivable, grants receivable from local authorities and the Homes and Communities Agency which are not capital in nature and proceeds from first tranche sales of shared ownership properties held in current assets during the year.

Service charges

Service charges are set annually and are fixed, with the exception of leaseholder service charges, which are variable. Fees receivable from tenants are presented within turnover and the expense of providing the services is presented within operating costs.

Notes (continued)

1 Accounting policies (continued)

Tangible fixed assets – housing properties

Initial recognition

Housing properties are initially recorded at cost.

Amounts capitalised include the cost of acquiring land and buildings, development costs and interest charges incurred during the development period.

Shared ownership properties

Shared ownership properties, where 100% of the property is still held by the Association, are recorded at the lower of cost and net realisable value. These assets are held as fixed assets, for the share retained or to be retained, and current assets, for the share to be sold under first tranche.

Right to buy sales

The gains or losses on disposal of social housing properties under right to buy arrangements are calculated as being the difference between the proceeds of a sale of a property and the carrying value of the property. Gains or losses are recognised in the Statement of Comprehensive Income at the date of transfer of title after deducting any element of proceeds that is payable under right to buy sharing arrangements.

Disposals

The surplus or deficit on the disposal of fixed assets, including first and subsequent tranches of shared ownership properties, is accounted for in the income and expenditure account of the period in which the disposal occurs.

Depreciation

Freehold land is not depreciated. Freehold properties, other than properties under construction, are depreciated so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis over their remaining expected useful life as follows:

Housing properties held for letting	-	over 70 - 120 years
Supported housing properties	-	over 70 - 120 years
Shared ownership properties	-	over 70 - 120 years

Individual components are depreciated so as to write down the net book value of housing properties to their estimated residual value, on a straight line basis over their remaining expected useful life as follows:

Bathroom	-	30 years
Electrical systems	-	30 - 40 years
Boilers	-	15 years
Heating (Mechanical & Electrical)	-	30 years
Kitchen	-	20 - 25 years
Windows & doors	-	25 - 30 years
Roof	-	70 years

The residual value of land is based on the estimated open market value of the land at the date of purchase.

Housing properties are assessed annually to determine whether there is any indicator of impairment. Where housing properties have suffered a permanent diminution in value, the fall in value is recognised after taking account of any relevant grants.

Capitalisation of interest

Interest on loans financing the development programme is capitalised up to the date of practical completion of the scheme. Interest costs are included at rates based on the Association's weighted average cost of borrowings. Where a loan is not specifically drawn down to fund a development, no interest is capitalised.

Notes (continued)

1 Accounting policies (continued)

Capitalisation of acquisition and development costs

Acquisition and development costs are capitalised in respect of direct, incremental employee costs and overheads incurred during the development period.

Improvement works to existing properties

Costs of improvement works to existing properties are only capitalised when there is a demonstrable enhancement of economic benefits of the asset, or where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its useful economic life is restored or replaced.

Impairment

At each reporting date, it is determined whether or not there exist any indicators of impairment for assets held. As a minimum, the indicators listed in FRS 102 Section 27.9 are considered.

It is not possible to estimate the recoverable amount of individual housing property assets as cash flows are not recorded for individual assets. The smallest identifiable group of housing properties is considered to be at a scheme level, therefore, cash-generating units are defined as schemes.

The recoverable amount is the higher of a cash-generating unit's value in use and its fair value less costs to sell. Only where the carrying value exceeds the value in use would the fair value less costs to sell be estimated.

As not all housing properties are held solely for cash inflows, a value in use (in respect of asset held for their service potential) (VIU-SP) is considered the most appropriate method for determining the recoverable amount for each cash-generating unit. The practical expedient permitted in SORP 14.20 is used to initially determine whether there may be an impairment loss on any of the cash-generating units by comparing the carrying value of the cash-generating unit to its expected use value (social housing) (EUV-SH). Where the carrying value exceeds the EUV-SH, a VIU-SP is estimated by determining a depreciated replacement cost of the cash-generating unit.

The replacement cost is the lower of the cost of constructing an equivalent cash-generating unit, based on recent development appraisals, or acquiring an equivalent asset on the open market. The replacement cost is adjusted to reflect the physical deterioration of the asset assuming the same expected useful lives as applied for depreciation purposes.

Where the carrying value exceeds the recoverable amount, an impairment loss is recognised.

Tangible fixed assets – other

Initial recognition

Other tangible fixed assets are initially recorded at cost.

Depreciation

Depreciation of other tangible fixed assets is charged by equal annual instalments commencing in the year of acquisition at rates estimated to write-off their cost, less any residual value, over the expected useful lives as follows:

Freehold land	- Nil
Freehold office buildings	- 50 - 60 years
Leasehold office buildings	- over the lease term
Computer hardware	- 3 - 4 years
Fixtures and fittings	- 5 - 10 years
Motor vehicles	- 4 years
Scheme fixtures and fittings	- 10 - 120 years

Notes (continued)

1 Accounting policies (continued)

Capitalisation of IT staff costs

IT staff costs are capitalised in respect of incremental time spent on the development of fixed asset software during the period.

Stock

Stocks and work in progress are stated at the lower of cost and net realisable value.

Government grants

As housing properties are accounted for at cost, Government grants are recognised using the accrual model. Government grants relating to assets are systematically recognised in income over the useful life of the housing property structure and its individual components (excluding land) on a pro rata basis. Grants related to revenue are recognised in income on a systematic basis over the period in which the related costs, for which the grant is intended to compensate, are recognised.

Government grants can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the Government grant may be used for projects approved by the Homes and Communities Agency, however, the grant may have to be repaid if certain conditions are not met.

Improvement provision

Provisions represent the Association's liabilities to undertake the refurbishment works under the Development Agreement entered into with Wansbeck District Council, as detailed in note 21.

Taxation

The Association is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Association is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in future or a right to pay less tax in future have occurred at the balance sheet date. This is subject to deferred tax assets only being recognised if it is considered more likely than not that there will be suitable surpluses from which the future reversal of the underlying timing differences can be deducted. Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been substantively enacted by the balance sheet date. No discounting is applied to reflect the time value of money.

Value Added Tax

Income and expenditure is shown inclusive of value added tax where applicable. Amounts recovered from HM Revenue and Customs under the provisions relating to partial exemption are credited to expenditure.

The Association has an approved VAT Shelter Scheme operative from 25 February 2008 and lasting for 10 years from that date. There is a VAT Shelter Sharing Agreement with the Council which was part of the transfer agreement. As a result, the VAT incurred on the property stock improvement programme is recoverable. The balance of VAT recoverable at the period end is included as part of the overall net VAT current asset or current liability in the Statement of Financial Position.

Notes (continued)

1 Accounting policies (continued)

Employee benefits

Pension costs

The Association participates in 2 defined benefit pension schemes, the assets of both are held separately from those of the Association.

Local Government Pension Scheme (LGPS)

The Association participates in the LGPS which was provided for employees that transferred from Wansbeck District Council possessing TUPE rights. On 25 February 2008, the assets and liabilities in respect of the transferring staff were assumed by Wansbeck Homes Limited. The scheme is closed to new members.

The pension scheme assets are measured using market values, for quoted securities, the current bid price is taken as market value. The pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability.

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is recognised in the Statement of Comprehensive Income as operating charges, finance items and actuarial gains/losses.

Social Housing Pension Scheme (SHPS)

The Association participates in an industry wide, defined benefit final salary pension scheme, SHPS. Pension costs are assessed in accordance with the advice of an independent qualified actuary. The assets and the liabilities of the scheme attributable to the Association cannot be separately identified, therefore, it is accounted for as a defined contribution scheme. The pension cost reflected in the accounts represents amounts payable by the Association for the year under review combined with any new contractual agreements to fund past service pension deficits.

The value of any contractual agreements to fund past service pension deficits recognised are the expected cash flows, discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The unwinding of the liability is recognised in the Statement of Comprehensive Income as a finance cost.

National Employment Savings Trust (NEST)

The Association participates in NEST which is a defined contribution pension scheme and is accounted for as such.

Termination benefits

Termination benefits are presented within operating costs and include amounts accrued in respect of constructive obligations.

Financial instruments

Capital instruments (other than share capital) are classified as liabilities if they contain an obligation to transfer economic benefits. The finance cost recognised in the income and expenditure account in respect of such instruments is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Costs in respect of operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Notes (continued)

2 Particulars of turnover, cost of sales, operating expenditure and operating surplus

	Turnover £000	Cost of sales £000	Operating expenditure £000	2017 Operating surplus £000	2016 Operating surplus £000
<i>Social housing lettings</i>					
General needs housing	16,064	-	(12,370)	3,694	3,783
Housing for older people	7,100	-	(6,884)	216	639
Shared ownership accommodation	31	-	(21)	10	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	23,195	-	(19,275)	3,920	4,422
<i>Other social housing activities</i>					
Restructuring	-	-	(132)	(132)	-
Past service pension deficit adjustments	-	-	3	3	-
Other	-	-	(309)	(309)	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	-	-	(438)	(438)	-
<i>Activities other than social housing activities</i>					
Sale of development services	2,637	(2,637)	-	-	-
Other operating income (note 6)	1,148	-	(950)	198	334
Commercial and other	277	-	-	277	240
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,062	(2,637)	(950)	475	574
Total	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	27,257	(2,637)	(20,663)	3,957	4,996

Notes (continued)

3 Particulars of turnover and operating expenditure from social housing lettings

	General needs housing £000	Housing for older people £000	Shared ownership £000	2017 Total £000	2016 Total £000
<i>Income</i>					
Rent receivable net of identified service charges	13,728	5,856	27	19,611	19,644
Service charges receivable	177	539	1	717	432
Water rates receivable	1,307	559	-	1,866	1,896
Supporting people income	-	-	-	-	250
Amortised government grants	852	146	3	1,001	970
Turnover from social housing lettings	16,064	7,100	31	23,195	23,192
<i>Operating expenditure</i>					
Management	(1,948)	(898)	(11)	(2,857)	(2,400)
Service charges payable	(702)	(1,287)	(5)	(1,994)	(2,251)
Routine maintenance	(3,495)	(1,712)	(3)	(5,210)	(4,404)
Planned maintenance	(429)	(210)	(2)	(641)	(509)
Major repairs expenditure	(2,707)	(1,328)	-	(4,035)	(4,838)
Bad debts	(112)	(55)	-	(167)	(169)
Water rates payable	(1,304)	(573)	-	(1,877)	(1,865)
Depreciation of housing properties	(1,673)	(821)	-	(2,494)	(2,220)
Other costs	-	-	-	-	(114)
Operating expenditure on social housing lettings	(12,370)	(6,884)	(21)	(19,275)	(18,770)
Operating surplus on social housing lettings	3,694	216	10	3,920	4,422
Void losses (being rental income lost as a result of property not being let, although it is available for letting)	169	326	-	495	507

Notes (continued)

4 Accommodation owned

The number of units owned and managed for each class of accommodation is as follows:

	2017 Owned and managed Number	2017 Managed by others Number	2017 Managed for others Number	2016 Owned and managed Number	2016 Managed by others Number	2016 Managed for others Number
General needs housing:						
Social rent	3,466	-	-	3,481	-	-
Affordable rent	-	-	-	-	-	-
Housing for older people	1,700	-	-	1,698	-	-
Supported housing accommodation	-	-	-	-	-	-
Shared ownership accommodation	20	-	-	6	-	-
Serviced Right to Buy	-	-	331	-	-	311
Rent to HomeBuy	-	-	-	-	-	-
Private rented accommodation	-	-	-	-	-	-
Commercial and other:						
Garages	941	-	-	942	-	-
Shops	46	-	-	46	-	-
	<u>6,173</u>	<u>-</u>	<u>331</u>	<u>6,173</u>	<u>-</u>	<u>311</u>

5 Financial assistance and other Government grant receivable

The total accumulated amount of financial assistance and other Government grant received or receivable at the balance sheet date, based upon the properties owned at that date, was recognised as follows:

	2017 £000	2016 £000
Recognised in the Statement of Comprehensive Income	6,443	5,442
Held as deferred income (note 20 & 21)	26,692	27,006
	<u>33,135</u>	<u>32,448</u>

Notes (continued)

6 Other operating income

	2017 £000	2016 £000
Rate collection allowance	183	181
Cheviot North Contract	950	898
Sundry income	15	153
	1,148	1,232
Total other operating income	1,148	1,232

7 Gain on disposal of tangible fixed assets

	2017 £000	2016 £000
Proceeds from sale of housing properties	811	640
Cost of sales of housing properties (including fees)	(553)	(364)
	258	276
Gain on disposal of housing properties	258	276

8 Expenses and auditor's remuneration

Included in the surplus are the following:

	2017 £000	2016 £000
Planned maintenance and major repairs	4,676	5,347
Charge for the provision of bad debts	167	169
Depreciation of tangible fixed assets - housing properties	2,494	2,220
Depreciation of tangible fixed assets - other	392	283
	7,769	8,029

Auditor's remuneration:

	2017 £000	2016 £000
Audit of these financial statements	13	7
Amounts receivable by the Association's auditor in respect of:		
Audit-related assurance services	8	-
Internal auditors remuneration from internal audit services	6	9
	27	16

Notes (continued)

9 Staff numbers and costs

The average number of persons employed by the Association (including directors) expressed in full time equivalents during the year, analysed by category, was as follows:

	2017 Number	2016 Number
Operational	159	133
Finance and administration	39	37
	<hr/>	<hr/>
	198	170
	<hr/> <hr/>	<hr/> <hr/>

The aggregate payroll costs of these persons were as follows:

	2017 £000	2016 £000
Wages and salaries	4,856	4,258
Compensation for loss of office	97	-
Social security costs	447	318
Contributions to defined benefit plan accounted for as a defined contribution plan (SHPS)	29	40
Contributions to defined contribution plan (NEST)	9	-
Current service cost of defined benefit plan (LGPS)	770	820
	<hr/>	<hr/>
Net recharges from/(to) group undertakings	6,208 1,660	5,436 1,877
	<hr/>	<hr/>
	7,868	7,313
	<hr/> <hr/>	<hr/> <hr/>

The number of staff whose remuneration payable, including Pensions and compensation for loss of office, who have been paid directly by the Association, expressed in full time equivalents in relation to the period of account were as follows:

	2017 £000	2016 £000
£60,000 - £70,000	2	2
£70,001 - £80,000	1	2
£80,001 - £90,000	1	-
£90,001 - £100,000	1	1
£100,001 - £110,000	1	-
£110,001 - £120,000	-	1
	<hr/>	<hr/>
	6	6
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

10 Directors' remuneration and key management personnel

Key management personnel are employed as directors by other Associations in the group. The costs of time spent managing Wansbeck Homes Limited are recharged accordingly. The proportion of the remuneration of the key management personnel in the year as charged to Wansbeck Homes Limited was as follows:

	2017	2016
	£000	£000
Wages and salaries	366	321
Compensation for loss of office	65	-
Company contributions payable in respect of pensions (SHPS)	11	13
Company contributions payable in respect of pensions (LGPS)	37	28
Non-executive Board members' emoluments	20	27
	499	389
	499	389

The Chief Executive is Bill Heads. The aggregate of his emoluments charged to Wansbeck Homes Limited, including Association pension contributions, as the highest paid director, was £93,000 (2016: £83,000). (Remuneration paid through Cheviot Housing Association). He is an ordinary member of the Social Housing Pension Scheme, has no enhanced or special pension terms and has no other pension arrangements to which the Association contributes.

	2017	2016
	Number	Number
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	5	8
	5	8

Notes *(continued)*

10 Directors' remuneration and key management personnel *(continued)*

The gross remuneration of the non-executive Board members for their service to Bernicia Group, Four Housing Group (until 31 May 2016), Cheviot Housing Association, Wansbeck Homes, Three Rivers Housing Association and Berwick Borough Housing Association in the year was as follows:

	2017	2016
	£000	£000
Mr S Anderson	6	6
Mr I Armstrong	6	9
Mr C Blakey	1	4
Mr B Butterworth	2	4
Mr I Darling	2	4
Mr F Foster	4	4
Mr W Gilbert	2	4
Mr P Harding	1	4
Mr JP Heron	4	-
Mrs I Hunter	1	4
Mrs H Parker	7	6
Mr A Pegg	5	4
Mr B Renforth	7	-
Mr K Riddell	5	2
Mr E Ritz	4	4
Mr X Setna	5	4
Mr T Stevenson	5	4
Ms A Tarn	5	4
Dr M Stewart	1	4
Mr W Worth	13	10
Ms L Charles-Jones	-	-
Mr J Holmes	-	-
	<hr/>	<hr/>
Non-executive Board members' emoluments	86	85
	<hr/> <hr/>	<hr/> <hr/>

Notes *(continued)*

11 Interest receivable and similar income

	2017	2016
	£000	£000
Bank deposits	35	73
	<hr/>	<hr/>
Total interest receivable and similar income	35	73
	<hr/> <hr/>	<hr/> <hr/>

12 Interest payable and similar charges

	2017	2016
	£000	£000
Loans repayable in more than five years	416	442
	<hr/>	<hr/>
Total interest payable and similar charges	416	442
	<hr/> <hr/>	<hr/> <hr/>

13 Other finance income

	2017	2016
	£000	£000
Net interest on net defined benefit plan asset	40	20
Unwinding of discount on contractual agreements to fund past service pension deficits	(1)	-
	<hr/>	<hr/>
Total other finance income	39	20
	<hr/> <hr/>	<hr/> <hr/>

14 Other income

	2017	2016
	£000	£000
VAT shelter income	-	356
	<hr/>	<hr/>
Total other income	-	356
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

15 Taxation

Total tax expense recognised in the profit and loss account, other comprehensive income and equity.

	2017	2016
	£000	£000
<i>Current tax</i>		
Current tax on income for the period	-	-
	<hr/>	<hr/>
Total tax	-	-
	<hr/> <hr/>	<hr/> <hr/>

The current tax charge for the period is lower (2016: lower) than the rate of corporation tax in the UK of 20% (2016: 20%). The differences are explained below.

Reconciliation of effective tax rate

	2017	2016
	£000	£000
Surplus for the year after taxation	3,873	5,279
Total tax expense	-	-
	<hr/>	<hr/>
Surplus on ordinary activities before taxation	3,873	5,279
Tax using the UK corporation tax rate of 20% (2016: 20%)	775	1,056
Tax exempt revenues	(775)	(1,056)
	<hr/>	<hr/>
Total tax expense included in profit or loss	-	-
	<hr/> <hr/>	<hr/> <hr/>

The main rate of UK corporation tax changed from 21% to 20% on 1 April 2016. A further reduction in the main rate of UK corporation tax, to 19% with effect from 1 April 2017 and 18% with effect from 1 April 2020, became substantively enacted on 26 October 2016. An additional reduction to 17% (effective from 1 April 2020) was substantially enacted on 6 September 2016. This will reduce the Company's future current tax charge accordingly.

16a Tangible fixed assets

Tangible fixed assets comprise housing properties and other fixed assets with net book values as follows:

	<i>Note</i>	2017	2016
		£000	£000
Tangible fixed assets – housing properties	16b	78,803	78,027
Tangible fixed assets – other	16c	2,619	2,564
		<hr/>	<hr/>
		81,422	80,591
		<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

16b Tangible fixed asset – housing properties

	Housing properties held for letting		Supported housing		Shared ownership	Total
	Completed	Under construction	Completed	Under construction	Completed	
	£000	£000	£000	£000	£000	
Cost						
At 1 April 2016	56,585	-	21,832	11,382	-	89,799
Additions	2,398	-	1,043	537	-	3,978
Disposals	(623)	-	(254)	-	-	(877)
Completed schemes	1,191	-	9,834	(11,919)	894	-
	<u>59,551</u>	<u>-</u>	<u>32,455</u>	<u>-</u>	<u>894</u>	<u>92,900</u>
Depreciation and impairment						
At 1 April 2016	8,377	-	3,395	-	-	11,772
Charged in the year	1,627	-	853	-	14	2,494
Disposals	(114)	-	(55)	-	-	(169)
	<u>9,890</u>	<u>-</u>	<u>4,193</u>	<u>-</u>	<u>14</u>	<u>14,097</u>
Net book value						
At 31 March 2017	<u>49,661</u>	<u>-</u>	<u>28,262</u>	<u>-</u>	<u>880</u>	<u>78,803</u>
At 31 March 2016	48,208	-	18,437	11,382	-	78,027
	<u>48,208</u>	<u>-</u>	<u>18,437</u>	<u>11,382</u>	<u>-</u>	<u>78,027</u>

Notes (continued)

16b Tangible fixed asset – housing properties (continued)

Security

Tangible fixed assets with a net book value of £33,923,000 are securitised.

Borrowing and development costs

There were no borrowing or development costs capitalised.

Land and Buildings

The net book value of tangible fixed assets – housing properties comprises:

	2017	2016
	£000	£000
Freehold	78,803	78,027

Notes (continued)

16c Tangible fixed assets – other

	Land and buildings £000	Computer equipmen t £000	Fixtures and fittings £000	Scheme fixtures and fittings £000	Motor vehicles £000	Total £000
Cost						
At 1 April 2016	2,043	240	65	69	1,471	3,888
Additions	2	1	-	-	444	447
Disposals	-	-	-	-	(455)	(455)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	2,045	241	65	69	1,460	3,880
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation						
At 1 April 2016	141	240	26	43	874	1,324
Depreciation charge for the year	37	1	6	11	337	392
Disposals	-	-	-	-	(455)	(455)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2017	178	241	32	54	756	1,261
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value						
At 31 March 2017	1,867	-	33	15	704	2,619
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2016	1,902	-	39	26	597	2,564
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Land and Buildings

The net book value of land and buildings within tangible fixed assets – other comprises:

	2017 £000	2016 £000
Freehold	1,867	1,902
	<hr/> <hr/>	<hr/> <hr/>

17 Stock

	2017 £000	2016 £000
Consumables	153	151
	<hr/> <hr/>	<hr/> <hr/>
	153	151

Shared ownership properties, where 100% of the property is still held by the Association, are recorded at the lower of cost and net realisable value. These assets are held as fixed assets, for the share retained or to be retained, and current assets for the first tranche held for sale.

Notes (continued)

18 Debtors

	2017 £000	2016 £000
Rents and service charges arrears	2,745	2,304
Less: Provision for bad and doubtful debts	(1,983)	(1,830)
	<u>762</u>	<u>474</u>
Amounts owed by group undertakings	23	96
Other debtors	26,870	33,716
Prepayments and accrued income	282	-
VAT recoverable	257	214
	<u>28,194</u>	<u>34,500</u>
	<u>1,324</u>	<u>840</u>
Due within one year	26,870	33,660
Due after more than one year	<u>28,194</u>	<u>34,500</u>

Debtors include other debtors of £26,870,000 (2016: £33,660,000) due after more than one year. This relates to contracted refurbishment works described at note 22.

19 Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	20,082	14,184
	<u>20,082</u>	<u>14,184</u>

20 Creditors: amounts falling due within one year

	2017 £000	2016 £000
Rents and service charges received in advance	311	-
Trade creditors	269	359
Amounts due to group undertakings	2,531	-
Taxation and social security	128	-
Other creditors	3,295	3,262
Accruals and deferred income	2,333	2,180
Deferred capital grants (note 21)	1,002	1,001
Service charge sinking funds	147	-
Contractual agreements to fund past service pension deficits (SHPS) (note 22)	5	-
Contingent consideration	556	369
	<u>10,577</u>	<u>7,171</u>

Notes (continued)

21 Creditors: amounts falling due after more than one year

	2017 £000	2016 £000
Bank loans	21,000	21,000
Deferred capital grants	25,690	26,005
Disposals proceeds fund	228	-
Contractual agreements to fund past service pension deficits (SHPS) (note 22)	51	58
	<u>46,969</u>	<u>47,063</u>

Interest-bearing loans and borrowings

All interest-bearing loans and borrowings are secured bank loans. There is no convertible debt.

Included within bank loans are amounts repayable after five years by instalments of £21,000,000 (2016: £21,000,000).

Bank loans are secured against tangible fixed assets – Housing properties with a net book value of £33,923,000.

Included within bank loans are borrowings of £6,000,000 (2016: £6,000,000) with fixed interest rates ranging from 5.45% to 5.48% and borrowings of £15,000,000 (2016: £15,000,000) with variable interest rates ranging from LIBOR to LIBOR +0.225%.

Borrowings are repayable as follows:

	2017 £000	2016 £000
In five years or more	21,000	21,000
	<u>21,000</u>	<u>21,000</u>

Disposals proceeds fund

All funds are pertaining to activities within areas covered by the Homes and Communities Agency (HCA). The movements in the Disposal proceeds fund for the Association are as follows:

	2017 £000	2016 £000
At beginning of year	-	-
Grant recycled	228	-
	<u>228</u>	<u>-</u>
At end of year	228	-
	<u>228</u>	<u>-</u>
Due within one year	-	-
Due after more than one year	228	-
	<u>228</u>	<u>-</u>
Amounts 3 years old or older where repayment may be required (£000)	-	-
	<u>-</u>	<u>-</u>

Notes (continued)

21 Creditors: amounts falling due after more than one year (continued)

Deferred capital grants

Deferred capital grants are made up as follows:

	2017	£000
At 1 April 2016	27,006	
Additions	1,015	
Disposals	(328)	
Amortisation	(1,001)	
	26,692	
At 31 March 2017	26,692	
Due within one year	1,002	
Due after more than one year	25,690	
	26,692	

22 Provisions for liabilities and charges

The provision relates solely to the refurbishment of housing stock transferred from the Council as described below.

	2017	2016
	£000	£000
At 1 April	33,660	38,452
Capitalised expenditure during the year	(2,682)	(2,933)
Revenue expenditure during the year	(4,108)	(1,859)
	26,870	33,660
At 31 March	26,870	33,660

The provision represents the best estimate of the cost of works that the Association has contracted to undertake under the Development Agreement for the repair and upgrading of the dwelling properties that were subsequently acquired by the Association from Wansbeck District Council (the Council) on 25 February 2008.

Immediately prior to entering into the stock transfer agreement between the Council and the Association, the Council and the Association entered into a contract for the Association to perform the refurbishment works required to bring the properties into an agreed state. The contract was for a fixed sum equal to the expected cost of the works, i.e. £120,155,186.

At transfer, the Association contracted with the Council to acquire the benefit of the agreed refurbishment works (£120,155,186) plus the price of the properties (£nil). The nature of the works under the initial agreement has not been specified and a right of set off exists between the contracts. These contracts have enabled the Association to recover the VAT on repair/enhancement costs that would otherwise have been expensed.

At the time of the transfer, the Association paid over a net cash amount of £nil for the properties to the Council, representing the acquisition of the properties in their unenhanced condition and the value of the Council's obligation to carry out the refurbishment works (£120,155,186) less the amount due to be incurred by the Association under the Development Agreement in relation to the anticipated costs of the repairs/improvements (£120,155,186).

Notes (continued)

22 Provisions for liabilities and charges (continued)

The impact of these two transactions is that, whilst the Council (now Northumberland County Council as the successor body) has a legal obligation to the Association to complete the refurbishment works, this work has been contracted back to the Association who are also equally obligated. The underlying substance of the transaction is therefore that the Association acquired the housing properties in their existing condition at their agreed value and will complete certain repairs/improvements in line with guarantees to tenants of not less than £120,155,186.

In the opinion of the Board, the commercial effect of these transactions when viewed as a whole is that the Association has both an asset (the Council's obligation to have the refurbishment work carried out) and a legally binding obligation to a third party (under the Development Agreement) and these assets and liabilities should be recognised in the financial statements.

At 31 March 2017, £26,870,000 (2016: £33,660,000) is shown in debtors: amounts falling due after more than one year and £26,870,000 (2016: £33,660,000) in Provisions for liabilities and charges.

23 Employee benefits

Defined benefit plan – LGPS

The information disclosed below is in respect of the Association's share of the Northumberland County Council Pension Fund (the "Fund"), which is part of the Local Government Pension Scheme. The Association participates in the Fund which provides defined benefits based on members' final pensionable salary. There have been no changes in the arrangements from the prior year.

Net pension asset

	2017 £000	2016 £000
Defined benefit obligation	(32,710)	(27,540)
Plan assets	34,210	28,260
	<hr/>	<hr/>
Net pension asset	1,500	720
	<hr/> <hr/>	<hr/> <hr/>

Movements in present value of defined benefit obligation

	2017 £000	2016 £000
At 1 April	(27,540)	(27,610)
Current service cost	(770)	(820)
Interest expense	(960)	(910)
Remeasurement: actuarial (losses)/gains	(3,580)	1,770
Contributions by members	(200)	(200)
Benefits paid	340	230
	<hr/>	<hr/>
At 31 March	(32,710)	(27,540)
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

23 Employee benefits (continued)

Movements in fair value of plan assets

	2017 £000	2016 £000
At 1 April	28,260	27,820
Interest income	1,000	930
Remeasurement: return on plan assets less interest income	4,390	(1,180)
Contributions by employer	700	720
Contributions by members	200	200
Benefits paid	(340)	(230)
	<hr/>	<hr/>
At 31 March	34,210	28,260
	<hr/> <hr/>	<hr/> <hr/>

Expense recognised in the statement of comprehensive income

	2017 £000	2016 £000
Current service cost	770	820
Net interest on net defined benefit asset	(40)	(20)
	<hr/>	<hr/>
Total expense recognised in the statement of comprehensive income	730	800
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the plan assets and the return on those assets were as follows:

	2017 Fair value %	2016 Fair value %
Equities	67.2	67.4
Government debt	17.5	15.4
Corporate bonds	7.6	8.8
Property	3.9	4.9
Cash	0.0	0.4
Other	3.8	3.1
	<hr/>	<hr/>
	100.0	100.0
	<hr/> <hr/>	<hr/> <hr/>
Actual return on plan assets	5,390	(250)
	<hr/> <hr/>	<hr/> <hr/>

Principal actuarial assumptions (expressed as weighted averages) at the year end were as follows:

	2017 %	2016 %
Discount rate	2.6	3.5
Future salary increases	3.5	3.3
Rate of increase to pensions in payment	2.0	1.8
Rate of increase to deferred pension	2.0	1.8
RPI inflation	3.1	2.9
CPI inflation	2.0	1.8
	<hr/>	<hr/>

Last full actuarial valuation was performed on 31 March 2013. To measure the defined benefit obligation as at 31 March 2017, the Association used a qualified, independent actuary.

Notes (continued)

23 Employee benefits (continued)

In valuing the liabilities of the pension fund at 31 March 2017, mortality assumptions have been made as indicated below.

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year old to live for a number of years as follows:

- Current pensioner aged 65: 22.8 years (male), 24.9 years (female).
- Future retiree upon reaching 65: 25.0 years (male), 27.2 years (female).

Defined benefit plan - SHPS

The Association participates in the Social Housing Pension scheme, 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 Association 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 the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the 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 Association 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 purchase basis on withdrawal from the scheme.

The Association has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the scheme, based on the financial position of the scheme as at 30 September 2015. At this date, the estimate employer debt for the Association was £1,423,000.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. 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. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 April)

Notes (continued)

23 Employee benefits (continued)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011; this valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the Association has agreed to a deficit funding arrangement, the Association recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of contractual agreements to fund past service pension deficits

Reconciliation of opening and closing provision

	2017 £000	2016 £000
At 1 April	58	23
Unwinding of discount factor	1	-
Deficit contribution paid	(5)	(2)
Remeasurements – impact of change in assumptions	2	-
Remeasurements – amendments to the contribution schedule	-	37
	<hr/>	<hr/>
At 31 March	56	58
	<hr/> <hr/>	<hr/> <hr/>

Impact on the Statement of Comprehensive Income

	2017 £000	2016 £000
Unwinding of discount factor	1	-
Remeasurements – impact of change in assumptions	2	-
Remeasurements – amendments to the contribution schedule	-	37

Assumptions

	2017 %	2016 %	2015 %
Rate of discount	1.33	2.06	1.92

24 Capital and reserve

Share capital

	2017 £	2016 £
Ordinary shares of £1 each at 1 April	22	22
Issued during the year	6	-
Surrendered during year	(3)	-
	<hr/>	<hr/>
At 31 March	25	22
	<hr/> <hr/>	<hr/> <hr/>

The share capital is represented by 1 share held by each member of the Association. Shareholders have a right to attend and vote at general meetings. Shareholders have no rights to a distribution on a winding up and have no rights to dividends.

No provision has been made for the redemption of shares.

No shares are classified as liabilities.

Notes (continued)

25 Financial instruments

Carrying amount of financial instruments

The carrying amounts of the financial assets and liabilities include:

	2017	2016
	£000	£000
Assets measured at amortised cost		
Rent and service charge arrears	762	474
Other debtors	26,870	33,716
Liabilities measured at amortised cost		
Rents and service charges received in advance	311	-
Trade creditors	269	359
Bank loans	21,000	21,000
Deferred capital grants	26,692	27,006
Contractual agreements to fund past service pension deficits	56	58
	<hr/> <hr/>	<hr/> <hr/>

26 Capital commitments

The aggregated amount of contracts for capital expenditure not provided for at year-end was £378,000 (2016: £nil).

The aggregated amount of capital expenditure approved which has not been contracted for at year-end was £nil (2016: £nil).

The proposed financing of such expenditure is as follows:

		£000
Grant		-
Agreed loans		378
		<hr/> <hr/>
		378
		<hr/> <hr/>

27 Contingent liabilities

The Association recognised a contingent liability of £302,000 (2016: £74,000) in relation to recycled grant applicable to individual housing property components that have been replaced. This will crystallise on disposal of the property.

Notes (continued)

28 Related parties

Identity of related parties with which the Association has transacted

During the year, there were related party transactions with Cheviot Housing Association, Three Rivers Housing and Berwick Borough Housing (Associations of the common parent). These transactions were made under commercial terms on an arms length basis.

Transactions with key management personnel

Total compensation of key management personnel (the directors) in the year amounted to £499,000 (2016: £389,000).

Other related party transactions

	Sales to	Sales to	Expenses	Expenses
	2017	2016	incurred from	incurred from
	£000	£000	2017	2016
			£000	£000
Cheviot Housing	1,713	1,447	4,339	2,773
Kingston Property Services	23	-	-	-
	<u>1,736</u>	<u>1,447</u>	<u>4,339</u>	<u>2,773</u>
	<u><u>1,736</u></u>	<u><u>1,447</u></u>	<u><u>4,339</u></u>	<u><u>2,773</u></u>
	Receivables	Receivables	Creditors	Creditors
	outstanding	outstanding	outstanding	outstanding
	2017	2016	2017	2016
	£000	£000	£000	£000
Cheviot Housing	-	96	2,531	-
Kingston Property Services	23	-	-	-
	<u>23</u>	<u>96</u>	<u>2,531</u>	<u>-</u>
	<u><u>23</u></u>	<u><u>96</u></u>	<u><u>2,531</u></u>	<u><u>-</u></u>

29 Ultimate parent company

The Association is a subsidiary undertaking of Bernicia Group, a Co-operative and Community Benefit Society and Private Registered Provider incorporated in the UK. The ultimate controlling party is Bernicia Group. The Group and Association accounts are available from the registered office and from the Mutuals Public Register managed by the Financial Conduct Authority.

Notes *(continued)*

30 Accounting estimates and judgements

Investment properties

Whilst the Association holds a small number of properties for commercial rental, their combined value was not considered material to the financial statements and they have been accounted for using the cost model in FRS 102 section 17.

Impairment of tangible assets

The Association considers whether tangible assets are impaired. For the purpose of impairment assessments, where an indication of impairment is identified the Association estimates the recoverable value and the depreciated replacement cost of the cash-generating units (CGUs). Individual schemes are considered to be CGUs.

Impairment of debtors

The Association makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience.

Provisions

The Association contracted to undertake works under the Development Agreement with Wansbeck District Council on 25 February 2008 giving rise to a provision for liabilities as described in note 22. The initial value of the provision represented the best estimate of the cost of works. This provision is reduced each year by the cost value of capital works undertaken on the stock.

Defined Benefit Pension Scheme

The Association has an obligation to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. Management estimates these factors in determining the net pension surplus in the balance sheet. The assumptions reflect historical experience and current trends. See note 23 for the disclosures relating to the defined benefit pension scheme.