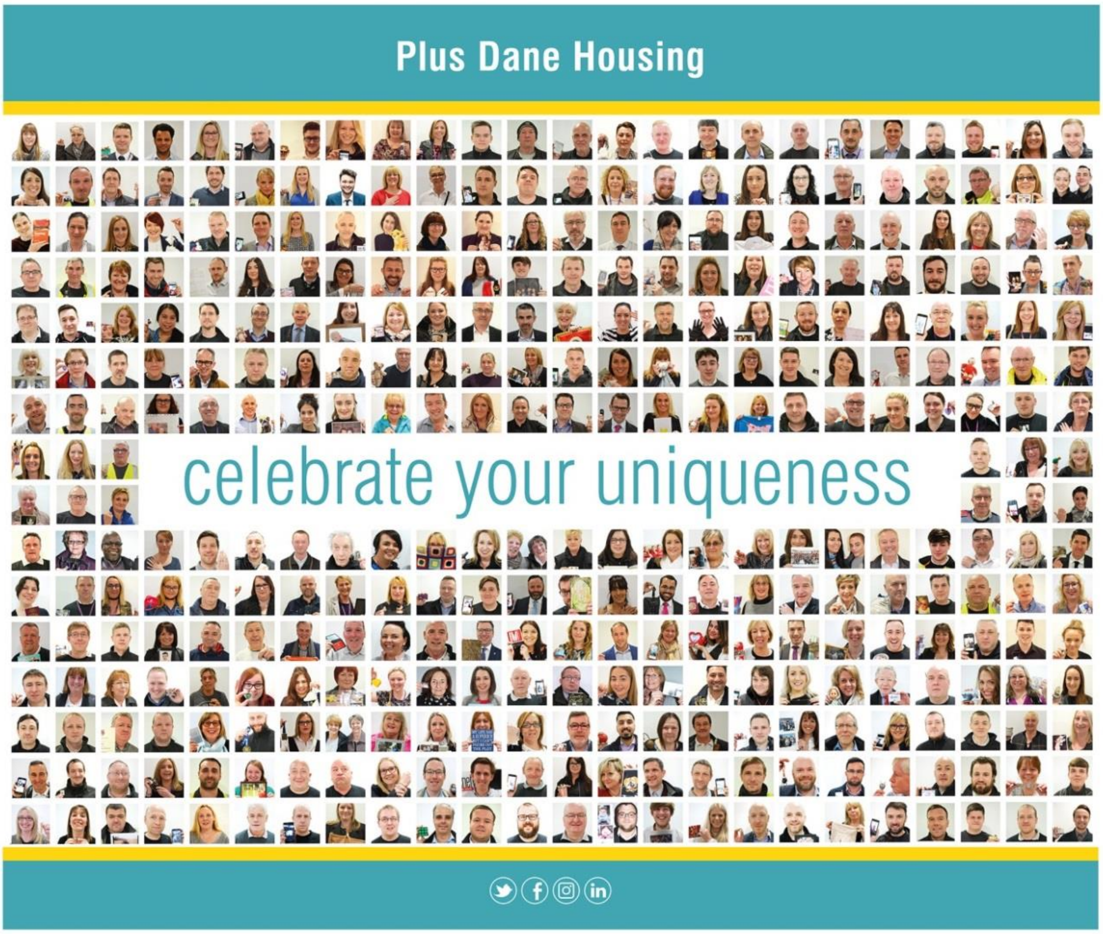
Financial Statements
Plus Dane Housing Group Limited

For the year ended 31 March 2017



Registered Society No: 29480R
Homes and Communities Agency No: L4355

Contents

Association information

Board members	Sir Peter Fahy (Chair – appointed 19 May 2016) Linda Minnis (Chair – resigned 15 September 2016) Rob O'Malley Tom Murtha Sandra Palmer Robin Lawler Brian Gowthorpe Cllr David Brown Cllr George Davies (resigned 17 March 2017) Dr Ann Hoskins (appointed 19 May 2016) Julie Gill (appointed 15 September 2016) Jon Corner (appointed 15 September 2016) Thomas McIlravey (appointed 15 September 2016) Lyndsey Burkett (appointed 1 June 2017) Mervyn Jones (resigned - 15 September 2016)
Executive officers:	Barbara Spicer (Chief Executive) Claire Griffiths (Executive Director – Property – resigned 31 July 2017) Jim Preston (Interim Executive Director – Asset Management – appointed 3 July 2017) Madeleine Nelson (Executive Director – Neighbourhoods) Matthew Cooper (Executive Director – Corporate Services – appointed 2 November 2015, resigned 8 July 2016) John Kent (Executive Director – Finance – appointed 10 November 2016)
Company Secretary	Frank Harasiwka (appointed 8 July 2016) Matthew Cooper (appointed 21 March 2016, resigned 8 July 2016) Alison Carey (resigned 21 March 2016)
Registered office	Baltimore Buildings 13-15 Rodney Street Liverpool L1 9EF
Auditors	KPMG LLP 1 St Peter's Square Manchester M2 3AE
Bankers	National Westminster Bank plc Liverpool One Branch 49 South John Street Liverpool One L1 8BU

Chair's statement

I have great pleasure in presenting Plus Dane Housing's financial statements for 2016/17, my first as Chair having joined the organisation in September 2016.

Work is currently being undertaken to move to a simplified organisation in 2017, which will allow us to lever our resources more effectively and means that we will be able to present the social housing organisation as a single entity for the next set of financial statements.

This statement reports on the first year of delivery of the new corporate plan and I am pleased that we have shown strong performance in some key areas including increasing our operating surplus by £4.5m and increasing our operating margin from 21% in 2015/16 to 27% in 2016/17; against a target of 25% by 2020.

We have also increased social housing income by £0.4m and rent loss is down from 2.4% last year to 1.6%. Over the year we have completed 114 new homes, with a further 188 in development.

As part of Plus Dane's improvement plan, we have undertaken a number of service reviews across the organisation which has enabled us to reduce our operating costs by £4.3m. Reducing costs to invest more in the products and services that are important to our tenants and customers will be something we continue to work on over the next phase of our plan.

The Board and Executive took the decision not to re-bid for the Cheshire West and Chester Council housing management tender in September 2016 and the contract ended on 30 June 2017. Plus Dane handed over the reigns to a new provider after five years of successful delivery and having made a significant positive impact in Ellesmere Port and Neston. I would like to thank the team that worked on delivering the contract for Plus Dane, the majority of whom continue to work on the contract with the new provider for their hard work and commitment over the five years.

In September 2016, the Homes and Communities Agency, undertook its first In-Depth Assessment of Plus Dane and we were pleased to maintain our G2, V2 rating.

The Grenfell Tower tragedy which took place in June 2017 shocked the nation and has meant the housing sector and the construction industry more widely has needed to examine its practices, policies and procedures to ensure a tragedy like this never happens again. Alongside all other housing associations we have reviewed our fire risk assessments to ensure they, as a minimum, meet all of the legal and statutory requirements and we will continue to monitor our performance in this area as a priority.

Chair's statement

As an organisation we are committed to the health and safety of our tenants, customers and colleagues as the number one priority and the Board will continue to work with the Executive to take whatever decisions and actions necessary to ensure this. The Plus Dane Board, which welcomed six new members in 2016, took an early decision to reaffirm the organisation’s commitment to its social purpose and has been encouraged and impressed by the work going on across the organisation to support those of lesser means in our communities.

In Halton, we have done some specific work around supporting refugees fleeing civil war in Syria, to settle into the area, providing intensive support to those families being resettled. As an organisation we have also signed up to the Migrant Pledge with three key commitments to:

- Provide a safe environment for migrants,
- Train staff and board members on the difficulties facing vulnerable migrants,
- Raise awareness about the issue.

We are proud of our track record on apprenticeships and developing talent and this is something we built on during 2016/17 by recruiting an additional eighteen apprentices and providing a structured programme of support and development for each of them. As an organisation we also signed up to the 5% Club committing that by 2021, we would have at least 5% of roles within the organisation made up of apprenticeships, graduate traineeships and work placements – I am pleased to report that we have already exceeded this target.

Over the coming year the Board will be working with the Executive and colleagues from across the organisation to define further our social purpose and support the organisation to ensure it is at the heart of everything we do.

Sir Peter Fahy
Plus Dane Housing
14 September 2017

Directors' Report

The Board has pleasure in presenting its report and financial statements for Plus Dane Housing Group Limited for the year ended 31 March 2017.

Principal Activity

Plus Dane provides affordable homes for rent and shared ownership together with housing support for vulnerable and elderly residents. It also has interests in major regeneration projects and partnerships to deliver change to the neighbourhoods and communities which it serves.

Status

Plus Dane Housing Group Limited is a Registered Society incorporated under the Co-operative and Community Benefit Societies Act 2014. It is registered with the Homes and Communities Agency as a Registered Provider of social housing as defined by the Housing and Regeneration Act 2008.

Business Review

Details of the organisations performance for the year and future plans are set out in the Strategic Report that follows this Directors' report.

Basis of accounting

The Group has prepared its accounts in accordance with Financial Reporting Standard (FRS) 102 for the year ended 31 March 2017. Under this accounting standard, the net present value of any contractual agreements for past service deficit pension contributions are recognised.

Tenant and Customer Involvement

The Group recognises that it can make a real difference to homes and neighbourhoods and improve future service provision and delivery by working closely with the tenants and customers, and is committed to co-regulation through its Tenant & Customer Scrutiny Panel.

Employees

The strength of the Group lies in the quality and commitment of its employees and the ability to meet its objectives and commitments to customers and tenants depends on them.

The Group is committed to working towards equal opportunities for all its employees and continues to invest in staff training and development and has improved systems of appraisal and performance management.

The Group seeks employees' views on how to improve the organisation and the services it provides, as well as matters of common concern using surveys and union representation.

Efficiency

The Board is committed to delivering an effective and efficient service to tenants, customers and other stakeholders.

Directors' Report

The Group employs a range of techniques to improve and monitor efficiency and effectiveness including: regular budget monitoring and reforecasting; tracking of savings plans; re-evaluating contracts through competitive procurement processes; use of our own in-house repairs service; benchmarking with others and targeting the reduction of staff turnover, sickness and absenteeism, following the implementation of Plus Dane's Absence Management Policy.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides Board and staff training and education on health and safety matters, including safeguarding. Health & safety is also regularly reported to the Audit & Risk Committee and is a key part of the internal audit cycle.

Board members and Executive Directors

Those Board members who served during the period and the Group's executive directors are set out on page one.

While the Board is responsible for the Group's overall strategy, management is delegated to the Chief Executive. The Executive Management Team consisting of: Executive Director – Finance; Executive Director – Neighbourhoods and Executive Director –Assets, act as executives within the authority delegated by the Board and meet fortnightly under the chairmanship of the Chief Executive to consider management issues and key decisions.

The Board

The Board comprises up to twelve non-executive members and is responsible for the strategy, policy framework and managing the affairs of the Group. The Board members are drawn from a wide background bringing together professional, commercial and local experience. The Board delegates the day-to-day management and implementation of that framework (via the intra group agreement) to the Chief Executive and other members of the Group's executive team.

Independent and Tenant Board members are selected by a panel of Board members (including the Chair and the Chief Executive) following public advertisement for recruitment.

Remuneration policy

The Governance and Nominations Committee, comprising a Chair and a minimum of two other Board members, is responsible for setting the Group's remuneration policy for its executive directors. It also recommends to the Board the remuneration levels for board members.

The Committee pays close attention to remuneration levels in the sector in determining the remuneration levels of the Chair, Chairs of Committees, Board Members, Independent Members and executives.

Details of the emoluments of Board Members and Executive Directors are set out in note 5 to the statutory accounts.

Directors’ Report

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

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

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

The financial statements are required by law to give a true and fair view of the state of affairs of the group and the association and of the income and expenditure of the group and 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 2015. 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.

Statement of compliance

In preparing this report a review of Group governance procedures has been undertaken and the Group complies with the HCA Governance and Financial Viability Standard.

NHF Code of Governance

The Group complies with the principal recommendations of the NHF Code of Governance 2015 and has adopted a number of policies and procedures to achieve these.

Internal control assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness annually, as set out in the International Standards of Auditing (UK and Ireland) and the NHF Code of Governance.

Directors' Report

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss. The system of internal control provides the Board with reasonable but not absolute assurance that:

- Risks are identified on a timely basis and dealt with appropriately;
- Operations are being managed both efficiently and effectively;
- Assets are safeguarded;
- Proper accounting records are maintained;
- The financial information used within the business or for publication is reliable and that the organisation is compliant with rules, laws and regulations.

The organisation has a number of arrangements in place that comprise the overall internal control framework, which are used to provide Board with assurance about the adequacy of this framework. In summary, these include the following:

- Governance Arrangements
- Corporate Planning Framework
- Financial planning framework
- Policy Framework
- Risk Management Framework
- Performance Management
- Audit Reports
- External view

The Board has ultimate responsibility for the system of internal control but has delegated authority to the Audit & Risk Committee to regularly review its effectiveness. The Audit & Risk Committee was formed to oversee the internal control framework for all companies within the Group.

The means by which the Audit & Risk Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, fraud reports, management assurances, the external management letter and specialist reviews on areas such as treasury, health and safety and efficiency.

The Audit & Risk Committee received and considered reports from management on risk management and control arrangements at each meeting during the year and the Board discusses risk at each meeting.

The Audit & Risk Committee has received from the Director of Business Assurance the report on the annual review of the effectiveness of the system of internal control for the Group, alongside the annual report of the internal auditor, and has reported its findings to the Board.

The table below summarises the assurance position for each area of the controls framework, using a tier grading which has been developed by the Institute of Internal Auditors against each key area.

Directors' Report

Control Area	Grading	Summary of opinion
Governance Arrangements	Effective	Unitary Board with clear Intra-Group Agreement and Service Level Agreement in place supported by a refreshed and approved Governance suite (policies and standing orders) in 2016/17.
Corporate Planning Framework	Effective	Contemporary framework used for corporate planning; series of Board and Leadership Team events to ensure sufficient challenge and debate on purpose of the organisation, strategic goals to deliver and delivery plans and resources; external contribution and advice sought. This area was subject to an Internal Audit in 2016/17 that recognised that the relationship between the corporate plan and strategies is well understood across the business, informing the financial plans and individual employee performance objectives.
Financial Planning Framework	Some improvement needed	The Framework is contemporary and effective; work has begun through 2017 to embed it into both our business planning and budget monitoring activities. This area was subject to an internal audit this year with specific recommendations centred on consistent and timely management information being provided.
Policy Framework	Effective	A new policy development framework has been implemented with clear stages (including tenant and customer involvement) and distinction between those policies preserved for Board and those that are delegated to Executive Management Team.
Risk Management Framework	Effective	Risk Management Strategy has been refreshed in 2016/17 with a move to weighted risk assessments. Workshops have been held with Senior Management Team to embed this new approach and particular focus has been given to identifying the controls that are in place to manage/mitigate risk.
Performance Management	Some improvement needed	The "Golden Thread" of performance is established; in 2016/17 the links between Corporate Objectives and employees' individual targets were strengthened, though further work is needed in the cultural and practical approach to performance management which the People Strategy is seeking to address. Further work is required in ensuring that performance information is available in more timely fashion.
Procedural Framework	Some improvement needed	When taken as a whole the procedural framework is sufficient and in some cases is leading practice. Areas of concern on health and safety have been closely monitored by Audit & Risk Committee and remedial actions followed up by Internal Audit for additional

Directors' Report

Control Area	Grading	Summary of opinion
		assurance. Procurement and contract management remain a key focus for improvement.
Audit	Effective	Internal audit services are provided by PWC, with KPMG providing external audit.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2016 up to the date of approval of the annual report and financial statements.

A monitor on fraud is also maintained and reviewed by the Audit & Risk Committee at every meeting. No significant instances of frauds have been reported during the year.

Based on the above assessment, the Audit & Risk Committee has identified that whilst the internal controls framework is generally adequate, the application of control needs further improvement. It is a shared view that 2016/17 has continued to be a period of significant change across the organisation and that actions are being taken to improve and appropriate responses to mitigate risks.

The Board has accepted the conclusion of the Audit & Risk Committee based on their review and scrutiny.

Annual General Meeting

The Annual General Meeting will be held on 14 September 2017.

Auditors

A resolution to reappoint KPMG as auditors will be proposed at the Annual General Meeting.

The Directors Report was approved on 14 September 2017 and signed on its behalf by:

John Kent
Deputy Company Secretary
14 September 2017

Strategic Report

Background

Plus Dane is a housing association which has operated for over 40 years in a number of different forms across Merseyside and Cheshire. During the financial year, the organisation owned and managed approximately 18,800 homes broken down as follows:

- Merseyside – 8,400
- Cheshire – 4,900
- Ellesmere Port & Neston management contract – 5,500

During the year, Plus Dane employed around 700 staff organised across three directorates: Neighbourhoods, Assets and Corporate Services. From June 2017, following the end of the Ellesmere Port & Neston Housing Management contract with Cheshire West and Cheshire Council, Plus Dane will own and manage approximately 13,300 with c. 530 employees.

During the year, Plus Dane has undertaken three significant service reviews, refreshed the composition of the Board and continued to drive efficiencies.

It is clear that the operating environment will continue to be challenging with:

- Ongoing reduced public expenditure and subsequent pressure on local services;
- The continuing rent reduction and wider welfare reform measures which put pressure on income streams;
- The wider economic risks including pressure on inflation and therefore interest rates;
- The need to adapt future products and services in light of changing demographics such as the ageing population.

As a result of all of the above factors, there is a continuing drive for efficiencies and robust business planning & risk management.

In 2016 Plus Dane took the decision not to pursue the Ellesmere Port and Neston housing management contract to focus on improving our core service and financial resilience. Performance has been driven up over the last five years, taking the Council's service to upper quartile across key areas and this has resulted in a great partnership with the Council which will continue with other strategic projects.

In April 2017, Plus Dane received a regulatory judgement from the Homes & Communities Agency of G2:V2. The Regulator referenced strengthened governance arrangements and improved strategic financial management with the development of a structured approach to business planning, growth and financial planning. The organisation has demonstrated effective mitigation of risk in relation to its Three60 subsidiary and in regard to the Ellesmere Port and Neston management contract.

Areas identified for further improvement, which are identified as key actions in the Corporate Plan, include building on the results of stress testing, improved measurement of value for money outcomes, and continued delivery of proposed structural changes to simplify the organisation.

Strategic Report

Five year financial summary

The Board is pleased to report a surplus for the year of £10.9 million (2016: £5.2 million) before movements in relation to pension schemes. Total comprehensive income after actuarial adjustments is £8.2 million (2016: £11.5 million), following a loss on the pension scheme of £2.8 million.

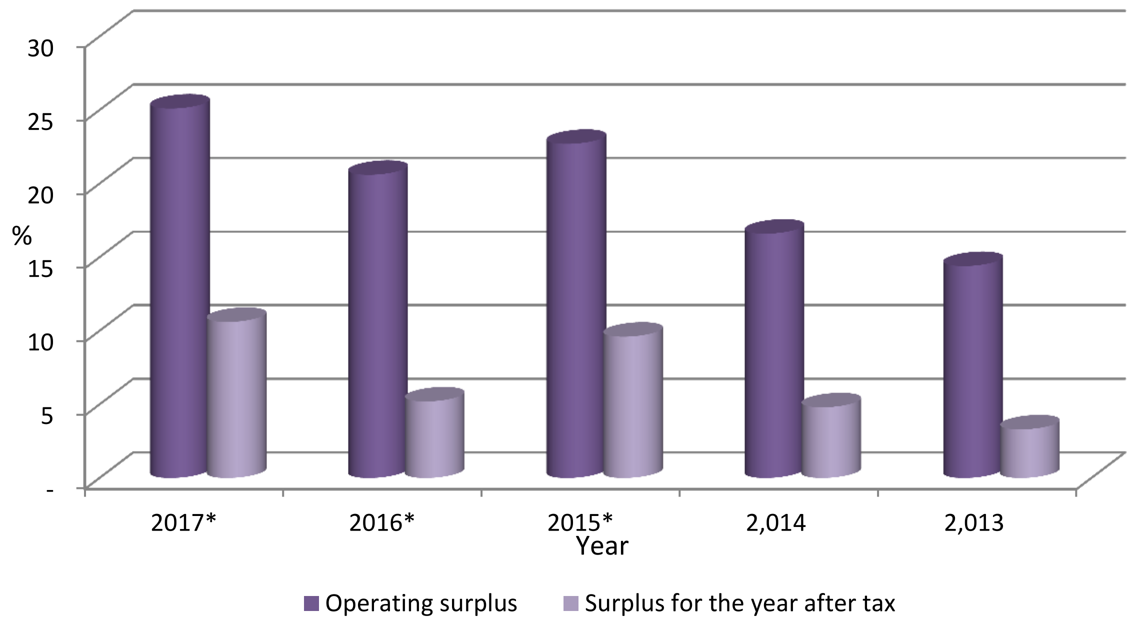
Statement of Comprehensive Income

The following table provides a summary of the Group's results:

For the year ended 31 March £m	2017*	2016*	2015*	2014	2013
Income from social housing lettings	64.8	64.4	61.1	55.8	52.8
Group turnover	94.4	96.9	103.7	87.0	73.6
Operating surplus	**25.1**	**20.6**	**22.7**	**16.6**	**14.4**
Incl. surplus on sale of property	*0.4*	*0.6*	*4.6*	*0.3*	*0.3*
Net interest payable	13.8	14.5	13.5	11.3	11.3
Surplus for the year after tax	**10.9**	**5.2**	**9.6**	**4.8**	**3.3**

* Prepared under FRS102 accounting standard

Operating and net surplus as a percentage of turnover



Group turnover has decreased by £2.5 million in the year from £96.9 million to £94.4 million. This is primarily due to a reduction in the income from the Ellesmere Port & Neston contract, a reduction in the proceeds from shared ownership first tranche sales and a reduction in Supporting People income.

Strategic Report

Operating costs have reduced by £4.3 million from £51.3 million to £47.0 million, primarily due to a reduction in expenditure on social lettings. The cost of sales has also reduced by £2.9m to £22.7 million, which is related to a reduction in the costs associated with the management contract for Ellesmere Port & Neston as well as reduced shared ownership sales. As a result of overall costs reducing more than turnover, the operating surplus for the year has increased by £4.5 million to £25.1 million.

Social housing income has increased by only £0.4 million as a result of rental income remaining at a similar level overall with rents from new properties compensating for the rent reduction on existing properties.

Expenditure on social lettings has reduced by £3.8 million from £46 million to £42.2 million. This is due to a reduction in social lettings management costs of £2.2 million and a reduction in overall repairs and planned maintenance costs of £1.4 million.

As a result of loan repayments, supported by continuing low interest rates on variable rate loans, there has been a reduction in net interest costs of £0.7 million.

Statement of Financial Position

The following table provides a summary of the Group's results:

As at 31 March £m	2017*	2016*	2015*	2014	2013
Housing properties	579.9	576.1	576.6	301.4	277.4
Other fixed assets	12.3	15.8	16.9	15.5	16.0
Tangible fixed assets	**592.1**	**591.9**	**593.5**	**316.9**	**293.4**
Net current assets / (liabilities)	(6.5)	(1.9)	(4.8)	(0.2)	(0.2)
Total assets less current liabilities	**590.8**	**595.5**	**594.0**	**316.7**	**293.2**
Loans due > one year	293.0	304.4	306.6	291.1	272.9
Creditors due > one year incl. grant	239.6	244.2	245.1	1.1	0.9
Pension provision	10.9	7.8	14.7	8.6	11.9
Reserves:					
Revenue reserve	47.3	39.1	27.6	21.3	14.7
Revaluation reserve	-	-	-	(6.7)	(8.4)
Designated reserve	-	-	-	1.3	1.2
Total net assets	**47.3**	**39.1**	**27.6**	**15.9**	**7.5**

* Prepared under FRS102 accounting standard

The housing properties owned by the Group are carried in the balance sheet at cost (after depreciation) of £579.9 million (2016: £576.1 million).

The investment properties included within other fixed assets have reduced from £8.2 million to £6 million due to a disposal of Centurion House in Merseyside and Beetham Court in Three60. Other assets have reduced from £5.8 million to £4.6 million due to a disposal of a freehold office, Tower Court, and as a result of depreciation charged in year which has reduced their net book value.

Strategic Report

The freehold commercial investment properties were subject to an independent valuation as at 31 March 2017 and this resulted in a negligible downward valuation, which is a significant improvement in the valuation trend of previous years.

The Group is showing net current liabilities of £6.5m (2016: £1.9m liabilities). This is due a reduction in the properties held for sale by Three60 from £3.7m to £1.3m, and a reduction in trade debtors due to a one-off amount of £1.6m VAT due in 2015/16 which related to the transfer of properties from Three60 to Merseyside.

As a result of loan repayments, longer term borrowing has reduced by £11.4m year on year to £293.0m from £304.4m.

The Group's five year headline performance and accommodation figures are summarised below, which link through to the key measures and targets set out in the Corporate Plan:

Headline performance

	2017	2016	2015	2014	2013
Housing properties:					
Social housing	18,666	18,658	18,655	18,426	18,180
Non-social housing	116	116	113	112	115
Total housing stock owned and managed	**18,782**	**18,774**	**18,768**	**18,538**	**18,295**
Headline financial performance:					
Operating surplus	26.6%	21.3%	21.9%	19.1%	19.6%
Operating surplus on social lettings	35.0%	28.6%	25.0%	24.1%	22.5%
Net surplus after tax as % of turnover	11.9%	5.4%	9.3%	5.5%	4.5%
Rent losses[1]	1.6%	2.4%	4.5%	2.8%	2.1%
Rent arrears[2]	6.2%	6.1%	5.7%	8.3%	8.4%
Liquidity[3]	72%	93%	84%	99%	99%
Interest cover[4]	235%	188%	195%	156%	116%
Debt per unit owned (£'000)	22.7	23.7	24.3	23.8	22.7

At 31 March 2017, the Group owned or managed 18,782 properties (2016: 18,774). During the year 114 new homes were completed, including 93 social homes and 21 for outright sale (2016: 109) and 188 homes were in development at the year-end (2016: 548).

The operating surplus for the year as a percentage of turnover has increased year on year, and for 2016/17 is above the Corporate Plan target of 25%. This improved position is due to reduced operating expenditure, primarily on social lettings, and also an improved position in relation to the Ellesmere Port & Neston management contract.

[1] Voids and bad debts as % of social lettings rent and service charges receivable

[2] Gross arrears as % of social lettings rent and service charges receivable

[3] Current assets divided by current liabilities

[4] Interest cover based on adjusted operating surplus (operating surplus plus housing depreciation less component replacement spend), divided by gross interest payable

Strategic Report

The net surplus for the year as a percentage of turnover has increased to 11.9%, before pension adjustments. This is a result of the increased operating surplus, combined with reduced interest costs as a result of loan repayments.

The increase in operating surplus and reduction in interest costs has also led to an improved interest cover ratio.

Void performance has improved during the year, reducing by £0.4 million compared to the prior year, and rent losses from bad debts have remained at a similar level. Overall, this has resulted in the percentage of void and bad debts as a percentage of rent and service charges, reducing to 1.6%.

Liquidity has reduced due to the reduction in properties held for sale and a reduction in cash. Improved liquidity will be an area of focus during the coming year with a target of 100% for this ratio.

Investment for the future

The investment of surpluses in the Group's future financial stability is a key tenet of our financial strategy. The investment is in the form of development of new homes, investment in existing stock, extension and improvement of services, and regeneration of our communities and neighbourhoods.

We have invested £6.4 million in capital improvements to our existing stock this year, with a further £4.5 million invested but charged to revenue.

During the year, 93 new homes have been developed (2016: 109), including 79 for affordable rent and 14 for low cost home ownership. At the year end, a further 188 properties were under development (2016: 169).

Our investment in housing properties this year was funded through a mixture of cash generated from operations, social housing grant and loan finance.

The Group continues to track progress against commitments under the 2015-18 Affordable Homes Programme and other funding arrangements including Section 106 schemes, through regular reporting to Property Committee, Audit & Risk Committee and Board, as part of the overall finance report.

Over the next 5 years, the committed development programme includes 718 units (including 306 from S.106 schemes), plus a further 480 units in the pipeline programme. The investment in the committed development programme and schemes that are already progressing is £59 million over the first four years, supported by £10 million of grant. Pipeline development accounts for a further £68 million between year three and five, supported by £17 million grant.

Strategic Report

Treasury management

There is a robust Treasury Strategy in place which addresses interest rate risk, covenant compliance, funding and liquidity risk and exposure to counterparties. The Treasury Policy is reviewed annually and is approved by the Board and includes the following approved instruments: instant access deposit accounts, fixed term deposits, call deposits, collateral deposits, money market fund investments and UK Government securities. The Treasury Policy recommends that between 50% and 80% of the organisation's debt should be fixed.

Management of the loan portfolio is the responsibility of the Executive Director – Finance and the Director of Finance and is managed in accordance with the Treasury Management Strategy and Policy. The Association borrows at both fixed and floating interest rates. Regular updates on treasury activity are provided to the Audit & Risk Committee and the Board, as part of the overall Finance Report.

The Group does not make use of hedging instruments other than to fix variable rate debt either at the time of drawdown or following a review of the loan portfolio and market conditions.

Investment Powers

The Group and the Association's rules permit investment of monies not immediately required to carry out its objectives, as it determines and is permitted by law.

Capital structure and treasury policy

The Group borrows principally from banks, at both fixed and floating rates of interest, and only in sterling so is not exposed to currency risk.

Total borrowings as at 31 March 2017 were £295.8 million (2016: £307.3 million) and are stated gross before netting off amortised issue costs. The fixed rate loans account for 75% of the total borrowing, which falls within the recommended parameters of the Treasury Policy. Variable rate borrowings are those where the interest rate is fixed for less than 12 months from the balance sheet date.

The movement in loans year on year represents net loan repayments in Plus Dane Merseyside in line with loan agreement repayment schedules. Cash balances at the end of the year stood at £8.7 million (2016: £10.8 million). Interest costs reduced to £13.8 million (2016: £14.5 million), and the overall weighted cost of capital reduced to 4.4% (2016: 4.5%).

The Group has total facilities of £342.3 million, leaving £46.5 million (2016: £37.5 million) of unutilised committed borrowing facilities.

The maturity of the Group's borrowings is detailed in note 21 of the financial statements.

The Group is subject to a range of covenants through its loan agreements, which vary between Plus Dane Merseyside and Plus Dane Cheshire. For the financial year 2016/17, the Group has complied with all of these covenants.

Corporate Plan - objectives and strategy

The purpose, objectives and strategy of the organisation are set out in the 2016-2021 Corporate Plan. The Board reaffirmed that Plus Dane is an organisation with a social purpose: to provide housing at below market cost to tenants and customers of modest means, allowing them to build the next steps in their lives where appropriate.

Strategic Report

Plus Dane offers housing and other services across a wide range of tenures and markets whilst retaining its social ethos at its core.

Direction from the Board

The Board has provided clear direction on the delivery of the Corporate Plan:

- Plus Dane will remain ambitious and outward-facing, now more than ever; as a trusted partner, and a contributor to community wellbeing;
- The Board will be proactive in setting the pace of and ambition for change, driving innovation, and managing risk appetite across different activities;
- Plus Dane will be continue to be committed to focussing on the basics of being a housing association: delivering the core elements of housing management, maintenance and development services for tenants and customers; focussing on sustainable tenancies;
- For non-core housing activity Plus Dane will focus on supporting people out of dependency by acting as facilitators and catalysts for conversations with others;
- Plus Dane should seek to deliver through identified vehicles, shared services and partnerships - Plus Dane need not always be in the delivery role;
- No activity should be pursued that puts the core business at risk, is a distraction from progressing the business or is a divergence from Plus Dane's core purpose;
- A positive, value-based internal culture is key;
- Plus Dane should learn from others, aiming to bring the outside in.

Working Principles

As established by staff in 2015 the following principles underpin the work of Plus Dane:

- Be clear about what we do
- Get it right first time
- Communicate well
- Take responsibility

This year we will be working with Board and staff to deliver a new values and behaviours framework for the organisation to support culture change.

Strategic Goals

Plus Dane's Corporate Plan has four long term goals, which focus on: customers, products and services; financial resilience; growth and people.

By 2021 Plus Dane will:

1. **Provide a range of products and services** that its customers want and can afford resulting in higher retention rates, lower customer debt and higher advocacy levels.
2. **Be financially resilient** by improving its operating margin to 25%, and optimising all income streams whilst maximising return on its investments.

Strategic Report

3. **Grow the organisation** to achieve a greater positive impact and economies of scale; with a good mix of traditional and non-traditional income streams; increasing stock numbers substantially through organic growth and the pursuit of mergers and acquisitions that are aligned to its core purpose.
4. **For our People** create an environment of engagement, accountability, empowerment and opportunity in which all colleagues understand the contribution they make to business success and feel they make a valuable contribution.

The strategic goals are underpinned by a number of detailed actions and projects contained within the Corporate Plan, with key milestones for each deliverable.

The organisation uses a balanced scorecard which includes a range of indicators which Senior Management and the Board use to monitor performance against the Corporate Plan objectives. Operational and financial performance is reported at least quarterly to each Board, which ensures that they have a holistic view of the organisation in terms of performance, programme delivery and strategic risk management.

A summary of key achievements against the Corporate Plan and future projects are set out below.

Customers, products and services

Key achievements in 2016/17 included:

- The completion of the housing and neighbourhoods restructure, driving out efficiencies of 20% and giving a clearer focus on efficiency and customer focussed services;
- A decision to focus on core services and improved financial resilience by not pursuing an extension of the Ellesmere Port and Neston housing management contract. Over the last five years, performance has been driven up, taking the Council's service to upper quartile across key areas;
- The launch of the new Tenant & Customer Involvement Strategy to ensure our customers' voices are heard, listened to and acted upon in the shaping, improvement and scrutiny of the organisation. As part of this and in line with our commitment to co-regulation, the organisation introduced a new Scrutiny Panel of ten customers. After receiving training and development, the Scrutiny Panel initiated its first review in December 2016, which was focused upon improving the sign-up process for new tenants and customers. The Panel meets regularly, and is directly linked into the formal governance structure, with the findings of each review reported to Board and the action plans monitored by the Neighbourhood Committee. The future timetable of reviews will be focused on areas identified for specific service improvement;
- As part of the Strategy, Plus Dane Voices was also established, which is an agile and flexible approach to involving our tenants and customers. The number involved in this group is c. 700, whose insight and feedback we can draw upon digitally or through focus groups. Recently, Plus Dane Voices was involved in designing and testing improvements to our customer access arrangements and reviewing the Anti-Social Behaviour Policy;
- With regards to the repairs service, Board has asked the DLO to concentrate on maximising its efficiency over a three-year period from April 2016 to March 2019. The improvements made during 2016/17 include the introduction of a single supplier to drive efficiencies in the procurement of materials.

Strategic Report

In 2017/18 Plus Dane will:

- Carry out a fundamental review of service charges for all our customers to drive further efficiencies and improve value for money;
- Appoint a tenant board member to sit on the Board, in line with the Tenant & Customer Involvement Strategy;
- Carry out a review to develop a plan to improve tenancy sustainment;
- Deliver year two of the Strategy to embed effective customer scrutiny, align its work programme to the forward plan and Corporate Plan objectives and provide strong evidence of how tenants and customers voices are shaping services;
- Roll out the second phase of the DLO improvement project, which will consider work scheduling and develop a fully mobile, efficient workforce and a “right first time” approach to service;
- Review the form and function of the repairs team, including their structure, terms and conditions and operating hours, to ensure we provide a customer focused service.
- Develop a digital by design approach in all areas of internal and external services, in line with the Customer Access Strategy, which will transform the digital offer (including website, mobile and social media) for customers, whilst maximising the return on investment;
- Initiate the procurement of a new housing management system and customer facing application;
- Implement the Landlord Plus offer, adopting an integrated and targeted approach to enable tenants to sustain their tenancies and in doing so protect Plus Dane’s future income stream.

Financial resilience

Financial resilience will ensure we can withstand reasonable external and internal shocks and still deliver the corporate plan and satisfy the lenders’ covenants.

In order to ensure that the Group has sufficient financial resilience a financial framework has been defined. The measures are:

- Covenant headroom of greater than 10%
- Group interest cover to exceed 120%
- Operating margin to exceed 25%
- Debt per unit to be less than £25k
- No reliance on sales income
- Loan facilities in place to cover committed development programme

The achievement of these measures is reported regularly to the Audit & Risk Committee and Board via the Finance Report and balanced scorecard.

The stress testing of the key measures also forms an important part of the Business Plan, which includes a mitigations savings plan that was developed with senior managers from across the organisation.

Strategic Report

In 2017/18, Plus Dane will:

- Continue to embed improved financial reporting and further develop the stress testing and recovery plan;
- Deliver the review of the form and function of the Finance service;
- Commit to continued simplification of our formal corporate governance; the next stage of which is expected to complete by September 2017;
- Seek approval for and embed the new Procurement Strategy and appoint a new Head of Procurement to develop an action plan for delivery of efficiencies.

Growth

Plus Dane Housing has a clear ambition to continue to develop new homes as part of the strategic objective for growth.

Key achievements in 2016/17 included:

- Developed 114 new homes and has included within the Business Plan a future committed and pipeline programme of 1,198 new homes over the next five years;
- Investing £6.4 million capital improvements in the existing housing stock, with a further £4.5 million invested but charged to revenue;
- Development of a comprehensive assets and liabilities register, which has since been signed off by Board and will be used as a tool to understand asset value and manage risk across the business;
- Improved health & safety performance. In 2015/16, six internal audits were carried out in relation to all aspects of health & safety by our internal auditors PwC. During 2016/17, PwC carried out a follow up review on the internal actions arising from these reports, and confirmed that all 52 actions had been implemented. A recent employee survey indicated that 80% of staff felt that we take health & safety seriously, and that 84% of staff felt that Plus Dane take safeguarding seriously.

In 2017/18 and beyond Plus Dane will:

- Seek opportunities to expand on the committed and pipeline development programme through the implementation of legal simplification, which will allow us to lever resources more effectively, enhancing our provision of quality housing in our core neighbourhoods in Cheshire and Merseyside;
- Develop the Accommodation Strategy, which will consider the current office accommodation and whether this is fit for purpose, with the aim of reducing overheads and considering new ways of working such as agile and mobile working;
- Develop a revised Asset Management Strategy following the organisation's work to improve its stock condition data, which will include a "Plus Dane standard", defining the standard and frequency of investment over the life of the 30-year Business Plan. The Strategy will also help the organisation to further understand its asset performance and develop investment and disposal programmes in collaboration between Assets, Finance and Neighbourhoods and improve the net present value of the organisation's stock.

Strategic Report

People

The Group continues to provide information on its objectives, progress and activities through a weekly email from the Chief Executive, intranet and staff roadshows.

Plus Dane's People Strategy was published in April 2016 with a clear focus on managerial capability and leadership capacity. The overall aim of the People Strategy is to create an environment of engagement, accountability, empowerment and opportunity, in which all colleagues understand the contribution they make to business success and feel they make a valuable contribution.

The Strategy set out the following objectives:

- 100% of Leadership team will have undertaken development in line with the Leadership Framework within the next two years.
- 90% of managers will achieve a coaching qualification within five years.
- 50% of colleagues will see Leadership team as effective role models.
- 5% of the workforce will be made up apprentices or student placements within the next five years.

Other key achievements in 2016/17 included:

- A new Leadership Development Framework for all colleagues with line management responsibility, with the roll out formal coaching training;
- Joining the 5% club, confirming our commitment to having 5% of the workforce made up of apprentices and graduates;
- Improved our employment offer by increasing the pension offer for over 300 colleagues;
- Refreshed 50% of our Board, supported by a contemporary programme of Board training;
- Reduction in absenteeism, from 3.87% in June 2016 to 3.02% by October 2016, following the implementation of Plus Dane's Absence Management Policy.

In 2017/18 Plus Dane will:

- Work with Board and colleagues to develop a Values and Behaviour framework which will set out 'how' we work in order to provide clarity and consistency for all employees of the organisation.

Strategic Report

- Respond to two legislative changes which will impact on the people agenda in 2017; the introduction of the Apprentice Levy and the implementation of Gender Pay Gap reporting.
- Continue to support organisational change through various service reviews and restructures.
- Develop a recognition framework aimed at recognising exceptional performance in a consistent way.

Overall 54% of planned activities have been delivered in 2016/17. The areas that have been rescheduled into 2017/18, with the agreement of Board, are:

- Establishing a strategic Procurement function – scheduled for completion Q2
- Development of a new Pensions Strategy;
- Completion of the legal simplification;
- Review of the form and function of the IT service;
- Review of the form and function of the Finance service;
- Feasibility review as part of the Accommodation Strategy;
- Developing the Routes to Growth Strategy.

Operating performance in the period

The organisation uses a balanced scorecard which contains a wide range of measures that are linked to the strategic areas of the Corporate Plan. The table below provides a summary of performance against the total number of 21 measures in the scorecard.

Perspective	Total Number of Measures	Number on track	Number below target
Financial Resilience	6	5	1
Customer, Products & Services	9	7	2
Growth	1	1	0
People	5	3	2
Total	21	16	5

Overall 76% of balanced scorecard measures are on target for 2016/17. Areas of improved performance include:

- **Key financial indicators** – financial performance has improved with net surplus, operating margin, debt per unit, total cost per property and covenant headroom all above target.
- **Arrears and total debt** –total debt as a percentage of rent is 3.7%, significantly better than the target of 5.7%;
- **Income collection** – has improved compared to the prior year with an overall outturn of 100.3%, against a target of 100%;

Strategic Report

- **Void rent loss** – has continued to improve is significantly better than the target. This is a direct impact of the improved time to relet properties which has reduced from 34 days to 26 days in Cheshire and from 38 to 24 days in Merseyside;
- **Customer satisfaction** – satisfaction with neighbourhoods, landlord services and homes are all at or above the target of 90%.
- **Absenteeism** – performance has improved and the total absence rate is 3.7% against a target of 4%;
- **Investment in learning & development** – average investment is £880 against a target of £600 per employee.

Overall there are five measures which are below target:

- **Surplus on property sales** – this was significantly below the budget of £2.4 million for the year. This is due to lower than expected one-off sales of housing properties and losses on the disposal of Centurion House and Beetham Court commercial properties. More prudent assumptions around sales activity have been factored into the 2017/18 Business Plan, with the exclusion of any assumption of surpluses on one-off property sales;
- **Customer retention** – there has been an improvement in the turnover rate compared to last year although overall performance is 9.1% which is above the target of 8.5%, and is impacted by a higher rate in Cheshire. In addition, the proportion of tenancies ending within the first twelve months has increased in Cheshire to 20%. During 2017/18, the Neighbourhoods Directorate will carry out a cross-cutting review to develop a plan to improve tenancy sustainment;
- **Gas certificates** – the percentage of properties with valid gas certificates was 99.9%, against a target of 100%;
- **Employee net promoter score** – this is measured every six months, with the last set of results in quarter three where performance was below target. On average during the year, the net promoter score was 47 against a target of 50;
- **Employee satisfaction -** this is measured every six months. On average, the overall employee satisfaction is 70% against a target of 85%.

Strategic Report

Value for Money summary

The Homes and Community Agency (HCA) has outlined what it expects registered providers to deliver in relation to Value for Money (VfM) in its 'Value for Money Standard', which is part of the Governance and Financial Viability Standard.

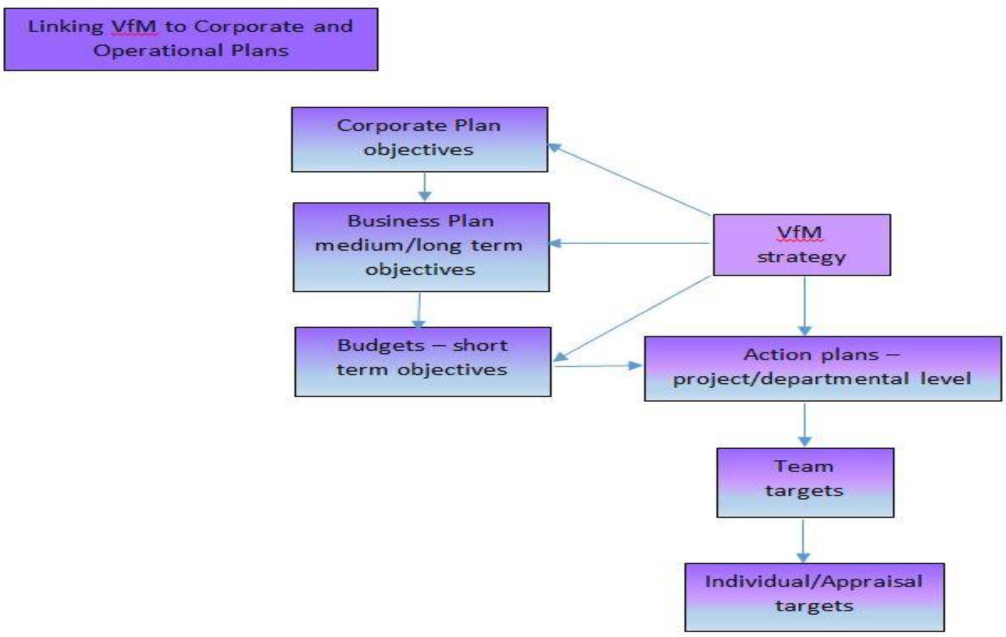
Plus Dane's VfM Strategy defines value for money as the relationship between effectiveness, efficiency and economy; the aim being to ensure a good balance between all three – achieving high productivity and outcomes from our cost base.

Understanding and achieving VfM is important for Plus Dane as delivering value creates opportunity to further our social and charitable objectives, and VfM and is closely aligned to the strategic goal of Financial Resilience. Plus Dane considers that additional value could be reinvested in:

- Improving our core housing offer – better and targeted services leading to higher levels of customer retention and advocacy;
- Further development of our non-core housing offer – including the development of capacity building and employment initiatives to support tenants into sustainable employment
- Building new homes for rent and home ownership.

As part of our approach to monitoring VfM, our Board review high-level performance on a bi-annual basis. At each meeting, Board seek assurance from the Executive Team that where there are areas of underperformance, the root cause is clearly understood and corrective actions planned and executed. This can be demonstrated in areas such as continuing improved void turnaround and better income collection.

The link between the Corporate Plan objectives, the longer term Business Plan and the budget setting and monitoring process is key to achieving value for money.



Strategic Report

The full Value for Money statement can be found on our website, and a summary of this statement is covered below:

- http://www.plusdane.co.uk/value-for-money-statement

Our VfM framework includes the following activities:

- **Board Away Days** – to consider the operating environment and the capacity and capability of the organisation to respond effectively to any impact on the business;
- **Board visibility of performance** - based on four strategic elements of the Balanced Scorecard;
- **Annual business planning cycle** – including budget approval and 30 year Business Plan, incorporating long term projections of financial performance and stress testing;
- **Budget monitoring** – monthly budget monitoring and reforecasting with budget holders to keep track of planned efficiency savings;
- **Customer feedback** - our new Tenant & Customer Involvement Strategy sets out how we will improve our understanding of our tenants and customers, their needs, and how we can drive value through the services we provide;
- **Benchmarking** – making use of the HCA global accounts data to assess our costs and understand cost drivers, compared to our peer group;
- **Service reviews** – considering the cost of provision and quality of service;
- **Improved approach to procurement** – setting plans for strategic procurement management that will drive efficiencies in the way we procure services, based on the new Procurement Strategy;
- **Performance Management** – annual corporate plan performance indicators are cascaded down through the organisation to individual team members through annual appraisal and target setting procedures.

Strategic Report

Key operating metrics:

Key metric	2016/17	2015/16
Operating surplus margin %	27%	21%
Earnings before interest, tax and depreciation %	40%	35%
Headline operating cost per unit (£)	2,505	2,735
Social lettings cost per unit (£)	3,084	3,462
Operating surplus on social housing lettings %	35%	29%
Return on capital employed %	4%	3%
Capital investment in existing homes (£m)	6.4	6.9
Investment in completed new homes (£m)	12.7	8.6
Number of new homes delivered	114	109
Gearing[5] - Plus Dane Merseyside	68%	73%
Interest cover[6]	235%	188%
Debt per unit owned (£'000)	23	24

The organisation has improved its financial performance across these key operating metrics during 2016/17:

- The operating surplus for the year as a percentage of turnover and earnings before interest, tax and depreciation has increased. This improved position is due to reduced operating expenditure, primarily on social lettings, and also an improved position in relation to the Ellesmere Port & Neston management contract.
- Debt per unit has reduced due to loan repayments, which combined with continuing low interest rates has reduced our interest costs;
- The increase in operating surplus and reduction in interest costs has also led to an improved interest cover ratio;
- Gearing has reduced to 68% (based on Plus Dane Merseyside only[7]) due to loan repayments and the increase in reserves during the year;
- We have invested £6.4 in our existing homes and a further £12.7 in new development, delivering 114 completed new homes.

[5] Gearing is based on gross loans as a percentage of grant plus reserves and is calculated for Plus Dane Merseyside
[6] Based on adjusted operating surplus (operating surplus plus housing depreciation less component replacement spend) divided by gross interest payable
[7] Plus Dane Cheshire was originally a large scale voluntary transfer, which traditionally have a high level of debt that is gradually repaid over the life of the Business Plan. Gearing is therefore not measured for Cheshire as part of the loan covenants with funders.

Strategic Report

Social lettings costs per unit compared to the previous year:

Social lettings costs per unit £	2016/17	2015/16	Movement
Management cost	906	1,077	171
Maintenance cost	994	966	(28)
Total management & maintenance	**1,900**	**2,043**	**143**
Service costs	248	239	(9)
Major repair (revenue & capital) costs	684	869	185
Other social housing costs per unit (£)	252	311	59
Total social lettings cost per unit (£)	**3,084**	**3,462**	**378**
Rent loss percentage	1.6%	2.4%	**0.8%**

Compared to the previous year we have demonstrated value for money in a number of areas but will continue to target other areas such as maintenance and corporate services costs:

- Our management costs have reduced by £171 per unit (16%). This is due to savings resulting from a number of service reviews across the organisation that have led to a reduction in staff costs;
- Other social housing costs have reduced by £59 per unit (20%) and this is mainly due to a reduction in Supporting People contract costs of over £0.5 million;
- Improved performance in relation to voids and lettings which has reduced our losses from rent;
- Our service costs per unit have remained at a similar level;
- Our major repairs expenditure has reduced by £185 per unit (21%), with a significant reduction in major repair costs charged to revenue. The amount invested in our properties and charged to capital has also reduced by £0.5 million;
- Our maintenance costs have increased by £28 per unit, which is equivalent to 3%. Improving VfM in this area will be a key aspect of a review of the DLO.

Strategic Report

New homes

The net savings realised in 2016/17 have been used to fund the development programme which delivered 93 new affordable rent, intermediate rent and shared ownership homes, in addition to 21 new homes for outright sale.

Social lettings cost per unit compared with our peer group and the sector:

	2016/17		2015/16
Area	Plus Dane	Peer Group	Sector median
Management cost (£)	906	1,157	1,020
Maintenance cost (£)	994	976	970
Total management & maintenance (£)	***1,900***	***2,133***	***1,990***
Service costs (£)	248	269	360
Major repair costs (£)	684	976	810
Other social housing costs (£)	252	248	210
Total operating cost (£)	**3,084**	**3,625**	**3,570**
Percentage of supported housing	1.9%	3.1%	3.8%
Percentage of housing for older people	9.0%	8.3%	11.0%

Compared to our peers and the median for the sector we have found the following:

- Our management costs per unit are considerably lower due to the efficiency drive over the last year;
- Our maintenance costs per unit are slightly higher. The DLO review will consider how we can drive improved value for money and productivity in our repairs service.
- Our service costs per unit are at a similar level to our peer group, but higher for the sector overall. The composition of Plus Dane's housing stock does not include any high-rise tower blocks which attract higher service costs, and the sector as a whole will include these costs. Our percentage of supported housing and housing for older people is also lower than the sector overall which will also influence the lower level of costs as the level of service provision is higher for these tenures.
- Other social housing costs are similar to our peer group but higher than the sector overall. Included within this are costs for properties leased to others and costs related to the in-house Include grounds maintenance service, which is making a loss. Include will form part of the overall review of the DLO.

Strategic Report

Asset performance

In 2015, we invested in an asset performance model which evaluated and graded stock based on stock based on a combination of its contribution to surplus and neighbourhood sustainability indicators. During 2016/17, the model allowed the organisation to evaluate alternative uses of the properties in Class C (those with a negative NPVs), which resulted in the disposal of 13 properties.

During 2017 the organisation reviewed the asset performance model and implemented a revised and updated version which takes account of:

- The rent reduction regime
- Net present value of individual properties over a 30 year period
- Updated sustainability indicators.

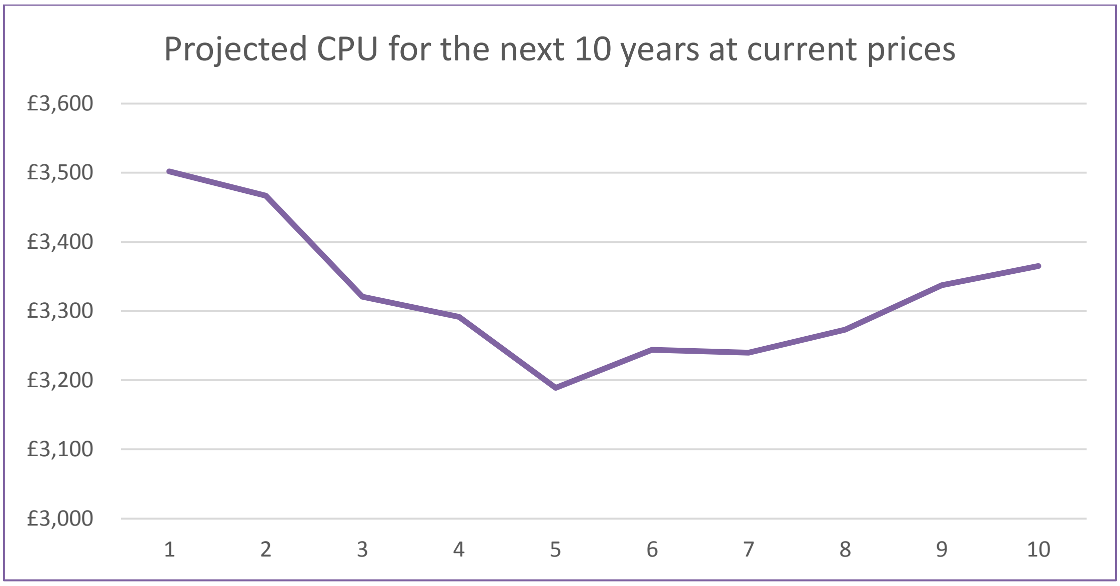
Future Value for Money

To further improve VfM over the short to medium term, we will:

- Simplify our legal structure which will allow us to optimise our tax position, lever resources much more effectively and improve our borrowing capacity to deliver additional new homes;
- Drive out procurement savings through the establishment of a strategic procurement team that co-ordinates all procurement activity for the business from a central hub;
- Deliver further savings as a result of service reviews, including Finance and IT;
- Deliver improvements in productivity and efficiency through the DLO review;
- Optimise income through the Service Charge Review project, which will ensure service charges are consistent, fair and reasonable and that all costs are recovered from those tenants and customers who benefit from the services they receive.
- Develop a comprehensive asset management plan based on a new “Plus Dane Standard” of investment. The plan will maximise efficiencies through competitive procurement processes and streamlining investment into component-based and geographical work packages.

The 2017/18 Business Plan projects the cost per unit over the next ten years, as shown in the graph below. Increased costs for compliance have been included in year one of the Plan as well as one-off costs to deliver the projects noted above. Following this increase, there is an anticipated reduction of c. £300 per unit by year five.

Strategic Report



The Business Plan does not factor in the further improvements in VfM that are anticipated through the improvement projects, as these are not at a stage to be able to quantify the savings. We therefore anticipate these projects will deliver further savings over and above the Business Plan assumptions.

Given the evidence provided within our Value for Money statement and the broader elements of our self-assessment, we are of the opinion that we comply with the HCA Value for Money Standard.

Strategic Report

Principal Risks and Uncertainties

Risk is discussed at every Board meeting and includes a live review of the cumulative impact of decisions made by the Board or Executive.

The Board has identified the following strategic risks for the organisation:

Strategic Risks
1. Board and the Leadership Team inhibit the business to achieve on-going success
2. Inability to identify and respond to environmental change for ourselves and stakeholders
3. Inability to appropriately defend and protect the business
4. Poor performance management of Business Plan objectives
5. Inadequate resourcing of strategy implementation to deliver products/services to agreed standards
6. Providing products or services that do not meet the requirements of our customers, market or support our business objectives
7. Finances are not managed in a way that secures the sustained success of the business
8. Ineffective people management including the delivery of change
9. Inability to retain or attract talent at Board and staff level
10. Incorrect alignment between the businesses position in the market and the business objectives
11. Not maximising/optimising all available income streams
12. Breaching regulation and/or legislation
13. Disjointed organisational effort due to lack of clear corporate culture across the business

The Board regularly review the risk profile across a number of business activities and reassess the risk scores.

During the year, there has been a change in the methodology employed for measuring and quantifying risk. Previous calculations were based on Impact and likelihood factors being on a range of 1 (low) and 5(high), producing a calculated risk factor of between 1 (1x1) and 25 (5x5). The new scoring process, agreed with the Board, is based on an algorithm which takes account of a weighted approach to risk assessment.

Strategic Report

The following risk scores have recently been updated by Board:

- Board and Leadership Team inhibit success – the previous assessment produced a risk score of 13. This has been increased to 14 to take account of the number of vacancies that remain unfilled;
- Regulatory Breach – the previous assessment produced a risk score of 18. This has been increased to 19 based on a reassessment of likelihood;
- Inadequate Resourcing – the previous assessment produced a risk score of 18. This has been increased to 19, due to recognition that it links to the Board & Leadership risk that has also been increased.

The latest risk scores are as follows:

Strategic risk	Impact	Likelihood	Overall score
Board and the Leadership Team inhibit success	3	3	**14**
Inability to identify and respond to environment	4	2	**18**
Inability to appropriately defend & protect	4	3	**19**
Poor performance management	4	3	**19**
Inadequate resourcing	4	3	**19**
Wrong products and services	3	2	**13**
Poor financial management	3	2	**13**
Ineffective people management	3	3	**14**
Inability to retain or attract talent	3	2	**13**
Incorrect alignment	3	2	**13**
Failure to optimise income	4	3	**19**
Breaching regulation and/or legislation	4	3	**19**
Lack of clear corporate culture	2	2	**8**

Strategic Report

Statement of compliance

In preparing this Strategic Report, the Board has followed the principles set out in the Statement of Recommended Practice for registered social housing providers (2014).

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report.

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 twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

John Kent
Deputy Company Secretary
14 September 2017

Independent Auditors' Report to the Members of Plus Dane Housing Group Limited

We have audited the financial statements of Plus Dane Housing Group Limited for the year ended 31 March 2017, which comprise the Group and Association Statement of Comprehensive Income, the Group and Association Statement of Financial Position, the Group Statement of Changes in Reserves, the Group Cash Flow Statement and the related notes. 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 as a body, 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 5, 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 group and the association as at 31 March 2017 and of the income and expenditure of the group and the association 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 the Housing and Regeneration Act 2008.

Independent Auditors' Report to the Members of Plus Dane Housing Group Limited

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.

Hywel Jones
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square,
Manchester,
M2 3AE

Group and Association Statement of Comprehensive Income

		Group		Association	
		2017	2016	**2017**	2016
	Note	**£'000**	£'000	**£'000**	£'000
Turnover: Group and share of joint venture		94,875	97,305	12,073	11,067
Less: share of joint venture turnover		(506)	(445)	-	-
Group turnover	3	94,369	96,860	12,073	11,067
Operating costs	3	(47,044)	(51,322)	(11,403)	(10,748)
Cost of Sales	3	(22,674)	(25,561)	-	-
Surplus on sale of fixed assets	3	412	637	-	-
Group operating surplus before share of joint venture operating profit	3	25,063	20,614	670	319
Share of joint venture operating profit		13	10	-	-
Total operating surplus	9	25,076	20,624	670	319
Interest receivable	7	27	40	2	2
Interest payable and similar charges	8	(13,348)	(14,054)	(2)	(3)
Share of joint venture interest payable		(4)	(4)	-	-
Other finance income/(costs)	6	(518)	(521)	-	-
Surplus on ordinary activities before tax		11,233	6,085	670	318
Tax on surplus on ordinary activities	11	(315)	(859)	(156)	(71)
Surplus/(deficit) for the year		10,918	5,226	514	247
Actuarial (loss)/gain in respect of pension schemes	6	(2,837)	7,446	-	-
Deferred tax movement in respect of pension schemes	11	166	(1,174)	-	-
Total comprehensive income		8,247	11,498	514	247

All amounts relate to continuing activities.

The financial statements were approved by the Board and signed on its behalf on date 14 September 2017.

Sir Peter Fahy	Tom Murtha	John Kent
Chair	**Board Member**	**Deputy Company Secretary**

The accompanying notes form part of these financial statements.

Group Statement of Changes in Reserves

Group

	£'000
Balance as at 31 March 2015	27,568
Total comprehensive income for the year	11,498
Balance as at 31 March 2016	39,066
Total comprehensive income for the year	8,247
Balance as at 31 March 2017	47,313

Association

	£'000
Balance as at 31 March 2015	(112)
Total comprehensive income for the year	247
Balance as at 31 March 2016	135
Total comprehensive income for the year	514
Balance as at 31 March 2017	649

The accompanying notes form part of these financial statements.

Group and Association Statement of Financial Position

	Note	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Fixed assets					
Housing properties	12	579,865	576,064	-	-
Investment properties	13	5,980	8,191	-	-
Other fixed assets	14	4,639	5,835	1,097	1,596
Investments	16	107	113	107	113
Share of joint venture net assets	16	43	35	-	-
Homebuy initiative		1,492	1,628	-	-
		592,126	591,866	1,204	1,709
Debtors: due after one year	19	5,094	5,556	-	-
Current assets					
Stock	17	109	116	-	-
Properties for sale	18	2,615	4,797	-	-
Trade and other debtors: due within one year	19	6,925	9,592	859	862
Cash and cash equivalents		8,688	10,825	1,735	1,614
		18,337	25,330	2,594	2,476
Creditors: amounts falling due within one year	20	(24,804)	(27,232)	(3,149)	(4,050)
Net current assets/(liabilities)		(6,467)	(1,902)	(556)	(1,574)
Total assets less current liabilities		590,753	595,520	649	135
Creditors: amounts falling due after more than one year	21	(532,570)	(548,633)	-	-
Provisions for liabilities					
Net pension liability	6	(10,870)	(7,821)	-	-
Total net assets		47,313	39,066	649	135
Capital and reserves					
Non-equity share capital	26	-	-	-	-
Revenue reserve		47,313	39,066	649	135
Total reserves		47,313	39,066	649	135

These financial statements were approved by the Board and signed on its behalf on 14 September 2017.

Sir. Peter Fahy	Tom Murtha	John Kent
Chair	**Board Member**	**Deputy Company Secretary**

The accompanying notes form part of these financial statements

Group Cash Flow Statement

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Net cash generated from operating activities	27		37,838		34,032
Cash flow from investing activities					
Purchase of tangible fixed assets		(19,231)		(16,416)	
Proceeds from sale of tangible fixed assets		3,765		3,464	
Grants received		412		1,764	
Interest received		27		40	
			(15,027)		(11,148)
Cash flow from financing activities					
Interest paid		(13,352)		(13,646)	
Interest element of finance lease payments		(27)		(41)	
New secured loans		-		10,060	
Repayment of borrowings		(11,532)		(17,782)	
Capital element of finance lease rental payments		(37)		-	
			(24,948)		(21,409)
Net change in cash and cash equivalents			(2,137)		1,475
Cash and cash equivalents at beginning of the year			10,825		9,350
Cash and cash equivalents at end of the year			8,688		10,825

The accompanying notes form part of these financial statements

Notes to the financial statements

1. Legal status

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

2. Principal accounting policies

Basis of Accounting

The financial statements of the group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014:Statement of Recommended Practice for Registered Social Housing providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are presented in Sterling (£).

Going concern

The group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. Government's announcements in July 2015 impacting on the future income of the Group have led to a reassessment of the Group's business plan as well as an assessment of imminent or likely future breach in borrowing covenants. The group has in place long-term debt facilities (including £46.6m of undrawn facilities at 31 March 2017), which provide adequate resources to finance committed reinvestment and development programmes, along with the group's day to day operations. The group also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that 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 report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgments and estimates have been made include:

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements.

a. **Adjustment to net interest on net defined pension liability**

   Under previous UK GAAP, the interest on the expected return on plan assets was calculated using an expected asset rate. FRS 102 requires that the net interest on the net defined benefit liability is calculated using the liability discount rate for the scheme.

Notes to the financial statements

b. Supporting people

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering the Income to be recognised.

c. Categorisation of housing properties

The Group has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Group has considered if the asset is held for social benefit or to earn commercial rentals.

d. Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. The Group have depended on an external valuation of its investment properties as at 31 March, the group are satisfied that the external consultant has estimated a reasonable fair value.

e. Impairment

The Group assess at 31st March, whether an indicator of impairment exists, if an indicator exists the group perform an impairment assessment at property scheme level. Indicators of impairment are examples of the following: Change in government policy, regulation or legislation, a change in demand of the properties or a material reduction in market values.

f. Capitalisation of property development costs

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

a. Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components.

b. Defined benefit obligation (DBO)

Management's estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in Note 6).

Notes to the financial statements

Basis of consolidation

The group accounts consolidate the accounts of the association and all its subsidiaries at 31 March using the purchase method.

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the association and entities controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of any subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Turnover and revenue recognition

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and 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, net of any voids. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Service charges

Service charge income and costs are recognised on an accruals basis. The Group operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position. Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in income and expenditure, 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 respectively.

Notes to the financial statements

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the Statement of Financial Position date. Deferred tax assets and liabilities are not discounted.

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.

Interest Payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents

a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

b) a fair amount of interest on borrowings of the association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure in the year.

Home Buy Loans (including Mortgage Rescue & Shared Equity Schemes)

HomeBuy loans are treated as concessionary loans. They are initially recognised as a loan at the amount paid to the purchaser and are subsequently updated to reflect any accrued interest. Any impairment loss is recognised in income and expenditure to the extent that it cannot be offset against the HomeBuy grant. The associated Home Buy grant is recognised as deferred income until the loan is redeemed.

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historical cost model.

Non-basic financial instruments are recognised at fair value using a valuation technique with any gains or losses being reported in surplus or deficit.

Direct costs incurred in connection with the issue of a basic financial instrument are deducted from the proceeds of the issue, and amortised over the life of the instrument.

Notes to the financial statements

Debtors

Short term debtors are measured at transaction price, less any appropriate provision for estimated irrecoverable amounts. A provision is established for irrecoverable amounts when there is objective evidence that amounts due under the original payment terms will not be collected. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the I&E.

Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee Benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions

The group participates in the following funded multi-employer defined benefit schemes, the Merseyside Pension Fund (MPF) and the Cheshire Pension Fund (CPF), part of the Local Government Pension Scheme (LGPS) and the Social Housing Pension Scheme (SHPS).

For both MPF and CPF, scheme assets are measured at fair value. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Remeasurements are reported in other comprehensive income.

For SHPS, it has not been possible to identify the share of the underlying asset and liabilities belonging to the individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Notes to the financial statements

Contributions payable from the association to the SHPS under the terms of its funding agreement for past deficits are recognised as a liability in the association's financial statements.

Contributions to the Group's defined contribution pension scheme, the Norwich Union Group personal pension plan, are charged to the Statement of Comprehensive Income in the year in which they become payable.

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less accumulated depreciation and impairment losses. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Donated land and other assets

Land and other assets donated by local authorities and other government sources are added to cost at the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as a non-monetary government grant and recognised on the statement of financial position as deferred income within liabilities. Where the donation is from a non-public source, the value of the donation is included as income.

Investment properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Notes to the financial statements

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

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

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

Upon disposal of the associated property, the group is required to recycle grant proceeds and recognise them as a liability.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Depreciation of housing properties

The group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Notes to the financial statements

The group depreciates the major components of its housing properties at the following annual rates:

Component	Years
Main structure	100
Pitched Roofs	60
Flat Roofs	20
Windows, doors (including communal fire doors), external joinery & cladding	25
Boilers	15
Heating Systems	30
Kitchens	15
Bathrooms	20
Electrics including PV panels, wind turbines and other generators	25
Septic Tanks	25
Lifts	20
Aids and adaptations	15

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

From 1 April 2016, the group has reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016. Despite cost efficiency savings and other changes to the business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

As a result, we estimated the recoverable amount of our housing properties as follows:

(a) determine the level at which recoverable amount is to be assessed (i.e. the asset level or cash generating unit (CGU) level). The CGU level was determined to be an individual scheme;

(b) estimated the recoverable amount of the cash-generating unit;

(c) Calculated the carrying amount of the cash-generating unit; and,

(d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, we do not consider there to be an impairment charge against social housing properties.

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

Notes to the financial statements

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. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold office building (straight line)	2%
Motor vehicles (on a reducing balance basis)	25%
Fixtures and equipment (straight line)	10% to 33%
Leasehold buildings (straight line)	Over term of the lease

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight line basis.

Properties for sale

Shared ownership first tranche sales, completed properties for outright sale and property under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Stocks

Stocks have been valued at the lower of cost and net realisable value.

Notes to the financial statements

Provisions for liabilities

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

The group recognises a provision for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

Notes to the financial statements

3. Turnover, cost of sales, operating costs and operating surplus

	2017				2016			
	Turnover	**Cost of sales**	**Operating costs**	**Operating surplus/ (deficit)**	Turnover	Cost of sales	Operating costs	Operating surplus/ (deficit)
Group	**£'000**	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Social housing lettings	**64,834**	**-**	**(42,166)**	**22,668**	64,423	-	(46,008)	18,415
Other social housing activities								
Development services	**1,576**	**-**	**(1,089)**	**487**	1,542	-	(1,590)	(48)
Supporting people contracts	**615**	**-**	**(578)**	**37**	1,026	-	(1,067)	(41)
Management services and other	**29**	**-**	**(14)**	**15**	26	-	(14)	12
Leased to others	**395**	**-**	**(741)**	**(346)**	443	-	(792)	(349)
Community regeneration	**-**	**-**	**(269)**	**(269)**	103	-	(175)	(72)
First tranche shared ownership	**1,724**	**(1,248)**	**-**	**476**	2,858	(2,027)	-	831
Other	**648**	**-**	**(535)**	**113**	710	-	(292)	418
	4,987	**(1,248)**	**(3,226)**	**513**	6,708	(2,027)	(3,930)	751
Surplus on sale of fixed assets (Note 10)				**412**				637
	4,987	**(1,248)**	**(3,226)**	**925**	6,708	(2,027)	(3,930)	1,388
Non-social housing activities								
Lettings	**1,045**	**-**	**(815)**	**230**	703	-	(640)	63
Management contract	**17,084**	**(16,361)**	**-**	**723**	18,914	(18,897)	-	17
Income from finance leases	**326**	**-**	**-**	**326**	335	-	-	335
Other*	**6,093**	**(5,065)**	**(837)**	**191**	5,777	(4,637)	(744)	396
	24,548	**(21,426)**	**(1,652)**	**1,470**	25,729	(23,534)	(1,384)	811
	94,369	**(22,674)**	**(47,044)**	**25,063**	96,860	(25,561)	(51,322)	20,614

* Other non-social housing activities – other, includes the activities of three60 Property Investors Limited, a subsidiary of the Group, whose principal activity is that of property investment and development.

The management contract income and expenditure is in respect of the Ellesmere Port and Neston management contract.

Notes to the financial statements

3. Turnover, cost of sales, operating costs and operating surplus

Association	2017 Turnover	2017 Cost of sales	2017 Operating costs	2017 Operating surplus	2016 Turnover	2016 Cost of sales	2016 Operating costs	2016 Operating surplus
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Other social housing activities								
Development services	**2,424**	**-**	**(1,926)**	**498**	2,152	-	(2,192)	(40)
Management services and other	**9,649**	**-**	**(9,477)**	**172**	8,915	-	(8,556)	359
	12,073	**-**	**11,403**	**670**	11,067	-	(10,748)	319

Notes to the financial statements

3. Income and expenditure from social housing lettings

Group

	General needs housing £'000	Shared ownership £'000	Supported housing & housing for older people £'000	Total 2017 £'000	Total 2016 £'000
Rent receivable net of identifiable service charges	**48,335**	**1,531**	**9,160**	**59,026**	58,569
Service charges receivable	**1,077**	**236**	**1,147**	**2,460**	2,446
Charges for support services	**33**	**-**	**5**	**38**	536
Government Grants	**2,538**	**96**	**676**	**3,310**	2,872
Turnover from social housing lettings	**51,983**	**1,863**	**10,988**	**64,834**	64,423
Expenditure on social housing lettings					
Management	**8,825**	**457**	**2,407**	**11,689**	13,880
Services	**1,379**	**319**	**1,507**	**3,205**	3,077
Routine and planned maintenance	**11,290**	**31**	**1,549**	**12,870**	12,455
Major repairs expenditure	**1,991**	**9**	**494**	**2,494**	4,273
Rent losses from bad debts	**187**	**3**	**57**	**247**	194
Supporting people	**28**	**-**	**12**	**40**	82
Depreciation of housing properties	**9,387**	**145**	**1,961**	**11,493**	11,867
Provision for bad debts	**92**	**-**	**36**	**128**	180
Operating costs on social housing lettings	**33,179**	**964**	**8,023**	**42,166**	46,008
Operating surplus on social housing lettings	**18,804**	**899**	**2,965**	**22,668**	18,415
Rent losses from voids	**470**	**34**	**249**	**753**	1,111

Notes to the financial statements

4. Accommodation in management and development

Group

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

Owned and managed by the Group

	2017 Units	2016 Units
Social housing		
General housing:		
Social Rent	**8,478**	8,836
Affordable Rent	**1,722**	1,518
Supported housing	**1,959**	1,922
Low cost home ownership	**607**	401
Leaseholder units	**105**	101
Total owned	**12,871**	12,778
Managed for others	**5,743**	5,785
Managed by others	**75**	112
Non-social housing		
Market rented	**21**	21
Extra care	**72**	72
	93	93
Total owned and in management	**18,782**	18,768
Under development		
Accommodation in development at the year end	**188**	169

Notes to the financial statements

5. Directors' emoluments and expenses

Directors
The remuneration for the executive directors of the Plus Dane Housing Group for the year ended 31 March 2017 is detailed in the table below.

	Basic salary £'000	Benefits in kind £'000	Pension contribution £'000	National Insurance £'000	Compensation for loss of Office £'000	2017 Total £'000	2016 Total £'000
Barbara Spicer Chief Executive	156	-	23	18	-	197	187
Claire Griffiths Executive Director Development	113	7	12	13	-	145	137
Madeleine Nelson Executive Director Neighbourhoods	118	-	17	15	-	150	139
John Kent Executive Director of Finance (from November 2016)	42	-	1	5	-	48	-
Matthew Cooper Executive Director Corporate Services (to July 2016)	32	-	5	4	-	41	61
Vivien Cross Former MD Finance (to June 2015)	-	-	-	-	-	-	35
Michelle Gregg Interim Ni Director (to May 2015)	-	-	-	-	-	-	19
Total	461	7	58	55	-	581	578

As a member of the Group, the Association bears a charge in respect of the services provided to it by the members of the Group executive director team. The charge for the current year amounted to £92,951 (2016: £225,279).

The emoluments of the highest paid director of the group, the Chief Executive, excluding pension contributions were £156,000. The Chief Executive was a member of the Merseyside Local Government Pension Scheme. She was an ordinary member of the pension scheme and no enhanced or special terms apply. During the year the Group did not make any further contribution to an individual pension arrangement for the Chief Executive.

Notes to the financial statements

Board members

During the year, fees of £79,583 (2016: £63,547) were paid to Board members and expenses paid amounted to £2,582 (2016: £3,747).

		2017 Total £'000	2016 Total £'000
Sir Peter Fahy	Chair	9	-
Sandra Palmer	Board member	5	5
Thomas Murtha	Board member	7	7
Anthony Barwise	Board member	3	7
Brian Gowthorpe	Board member	5	5
Mervyn Jones	Board member	3	5
Robin Lawler	Board member	6	5
George Davies	Board member	5	5
David Brown	Board member	5	5
Gary Mason	Board member	5	4
Julie Gill	Board member	4	1
Robert O'Malley	Board member	6	1
Ann Hoskins	Board member	4	-
Bridget Guilfoyle	Board member	1	-
John Corner	Board member	4	-
John Cocker	Board member	1	-
Linda Minnis	Former Chair	7	13
Total		80	63

6. Employees

Group

The average number of employees of the Group expressed in full time equivalents (calculated based on a standard working week of 35 hours) during the year was:

	2017 Number	2016 Number
Housing, support and care	560	604
Administration and Development	113	122
	673	726

Notes to the financial statements

	2017 £'000	2016 £'000
Employee costs		
Wages and salaries	18,966	20,376
Social security costs	1,764	1,554
Other pension costs	2,707	2,865
	23,437	24,795

The full time equivalent number of staff (including executive directors and calculated based on a standard working week of 35 hours) who received emoluments within the Group:

	2017 No.	2016 No.
£60,001 to £70,000	4	11
£70,001 to £80,000	3	2
£80,001 to £90,000	3	4
£90,001 to £100,000	-	2
£100,001 to £110,000	-	-
£110,001 to £120,000	-	1
£120,001 to £130,000	1	-
£130,001 to £140,000	1	1
£140,001 to £150,000	-	-
£150,001 to £160,000	-	1
£160,001 to £170,000	-	1
£170,001 to £180,000	1	-

Association

The average number of employees of the Association expressed in full time equivalents (calculated based on a standard working week of 35 hours) during the year was:

	2017 Number	2016 Number
Administration and development	102	95

	2017 £'000	2016 £'000
Employee costs		
Wages and salaries	3,740	3,569
Social security costs	378	287
Other pension costs	773	730
	4,891	4,586
Recharged from Group companies	446	2,101
	5,337	6,687

Notes to the financial statements

The full time equivalent number of staff (including executive directors and calculated based on a standard working week of 35 hours) who received emoluments within the Association:

	2017 No.	2016 No.
£60,001 to £70,000	2	3
£70,001 to £80,000	1	-
£80,001 to £90,000	2	3
£90,001 to £100,000	-	-
£100,101 to £110,000	-	-
£110,101 to £120,000	-	1
£120,101 to £130,000	1	-
£130,101 to £140,000	-	1
£140,001 to £150,000	-	-
£150,000 to £160,000	-	
£160,101 to £170,000	-	1
£170,101 to £180,000	1	-

The Group participates in three funded multi-employer defined benefit schemes: the Social Housing Pension Scheme, Merseyside Pension Fund and Cheshire Pension Fund.

Social Housing Pension Scheme (SHPS)

The company participates in the 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 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 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 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 purchase basis on withdrawal from the scheme.

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:

Notes to the financial statements

Deficit contributions

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

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 company has agreed to a deficit funding arrangement, the company 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.

Plus Dane Merseyside

PRESENT VALUES OF PROVISION

	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Present value of provision	**832**	884	601

Notes to the financial statements

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2017 (£000s)	2016 (£000s)
Provision at start of period	**884**	600
Unwinding of the discount factor (interest expense)	**17**	11
Deficit contribution paid	**(95)**	(61)
Remeasurements - impact of any change in assumptions	**26**	(6)
Remeasurements - amendments to the contribution schedule	**-**	340
Provision at end of period	**832**	884

INCOME AND EXPENDITURE IMPACT

	2017 (£000s)	2016 (£000s)
Interest expense	**17**	11
Remeasurements – impact of any change in assumptions	**26**	(6)
Remeasurements – amendments to the contribution schedule	**-**	340
Contributions paid in respect of future service*	*****	*
Costs recognised in income and expenditure account	*****	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

Plus Dane Cheshire

PRESENT VALUES OF PROVISION

	31 March 2017 (£000s)	31 March 2016 (£000s)	31 March 2015 (£000s)
Present value of provision	**1,498**	1,646	1,404

Notes to the financial statements

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	2017 (£000s)	2016 (£000s)
Provision at start of period	**1,646**	1,404
Unwinding of the discount factor (interest expense)	**31**	25
Deficit contribution paid	**(218)**	(174)
Remeasurements - impact of any change in assumptions	**39**	(9)
Remeasurements - amendments to the contribution schedule	**-**	400
Provision at end of period	**1,498**	1,646

INCOME AND EXPENDITURE IMPACT

	2017 (£000s)	2016 (£000s)
Interest expense	**31**	25
Remeasurements – impact of any change in assumptions	**39**	(9)
Remeasurements – amendments to the contribution schedule	**-**	400
Contributions paid in respect of future service*	*****	*
Costs recognised in income and expenditure account	*****	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction payments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum
Rate of discount	**1.33**	2.06	1.92

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Notes to the financial statements

Merseyside Pension Fund

The MPF is a multi-employer scheme, administered by Wirral Borough Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2016 and rolled forward to 31 March 2017 by a qualified independent actuary.

The employers' contributions to the MPF by the Association for the year ended 31 March 2017 were £1.077m (2016: £0.906m) at a contribution rate of 14.6% - 24.6% of pensionable salaries.

Financial assumptions

The Association has two admission agreements into the MPF, the disclosures for which have been aggregated below.

The major assumptions used by the actuary in assessing scheme liabilities were:

	2017 % per annum	2016 % per annum
Discount rate	2.6	3.6
Future salary increases	3.8	3.5
Future pension increases	2.3	2.0
Inflation assumption	2.3	2.0

Mortality

The post retirement mortality assumptions used to value the benefit obligation at March 2017 are based on S2PA CMI_2015_[1.75%] [1.5%] Tables (107% Males, 92% Females) for non-retired members and S2PA CMI_2015_[1.75%] [1.5%] Tables (112% Males, 99% Females) for retired members. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	2017	**2016**
Current pensioners		
- Males	21.9 years	22.5 years
- Females	24.7 years	25.4 years
Future Pensioners		
- Males	24.9 years	24.9 years
- Females	27.7 years	28.2 years

Notes to the financial statements

Amounts Recognised in surplus or deficit

	2017	2016
	£'000	£'000
Current service costs	564	(177)
Loss on settlements	-	-
Amounts charged to operating costs	564	(177)

	2016	**2016**
	£'000	**£'000**
Net interest	263	306
Amounts charged to other finance costs	263	306

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

	2017	**2016**
	£'000	**£'000**
Opening scheme liabilities	36,104	36,836
Current service cost	564	726
Interest cost	1,286	1,211
Remeasurements	9,183	(2,327)
Plan participants' contributions	224	245
Benefits paid	(998)	(587)
Closing scheme liabilities	46,363	36,104

Notes to the financial statements

6. Employees (continued)

Reconciliation of opening and closing balances of the fair value plan assets

	2017 £'000	**2016 £'000**
Opening fair value of plan assets	28,287	27,574
Interest income	1,023	905
Return on plan assets (in excess of interest income)	7,198	(753)
Plan participants' contributions	224	245
Contributions by employer	1,077	903
Benefits paid	(998)	(587)
Closing fair value of plan assets	36,811	28,287

Actual return on scheme assets

	2017 £'000	2016 £'000
Actual return on plan assets	5,913	169

Major categories of plan assets as a percentage of the plan assets:

	2017 % per annum	2016 % per annum
Equities	54	52
Bond	4	16
Property	8	9
Cash	3	3
Other	20	20

Cheshire Pension Fund ("CPF")

The CPF is a multi-employer scheme, administered by Cheshire West and Chester Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2017.

During 2012/13 a number of employees transferred into the Group from Cheshire West and Chester Council. Obligations of £197,000 were recognised on the transfer of those employees who are members of the CPF.

Notes to the financial statements

The employer's contributions to the scheme by the Association for the year ended 31 March 2017 were £797,000 (2016: £1,298,000) at a contribution rate for the staff previously employed by Cheshire West and Cheshire in Ellesmere Port and Neston of 21.3% up until October when it then reduced to 0%, while for the remaining staff a rate of 36.0%.

The Association has two admission agreements into the CPF, the disclosures for which have been aggregated below.

Financial assumptions

The major assumptions used by the actuary in assessing scheme liabilities were:

	2017 **% per annum**	2016 % per annum
Discount rate	2.6	3.5
Future salary increases	2.7	3.2
Future pension increases	2.4	2.2

Mortality

Life expectancy is based on the Fund's Vita Curves with improvements in line with the CMI 2013 model assuming current rates of improvement have peaked and will converge to a long term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Current pensioners	**2017**	**2016**
- Males	22.3 years	22.3 years
- Females	24.5 years	24.4 years
Future Pensioners		
- Males	23.9 years	24.1 years
- Females	26.5 years	26.7 years

Notes to the financial statements

Amounts Recognised in surplus or deficit

	2017 £'000	2016 £'000
Current service costs	322	201
Loss on settlements	-	34
Amounts charged to operating costs	322	235

	2016 £'000	**2016 £'000**
Net interest	6	179
Amounts charged to other finance costs	6	179

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

	2017 £'000	**2016 £'000**
Opening scheme liabilities	44,410	46,917
Current service cost	1,119	1,499
Interest cost	1,561	1,517
Remeasurements	5,097	(4,989)
Plan participants' contributions	274	321
Benefits paid	(933)	(855)
Closing scheme liabilities	51,528	44,410

Notes to the financial statements

Reconciliation of opening and closing balances of the fair value plan assets

	2017 £'000	**2016 £'000**
Opening fair value of plan assets	44,406	41,455
Interest income	1,555	1,338
Return on plan assets (in excess of interest income)	4,121	849
Plan participants' contributions	274	321
Contributions by employer	797	1,298
Benefits paid	(933)	(855)
Closing fair value of plan assets	50,220	44,406

Actual return on scheme assets

	2017 £'000	2016 £'000
Actual return on plan assets	5,676	2,187

Major categories of plan assets as a percentage of the plan assets:

	2017 % per annum	2016 % per annum
Equities	55	54
Bond	36	36
Property	7	8
Cash	2	2

7. Interest receivable

	Group		**Association**	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Interest receivable and similar income	27	40	2	2

Notes to the financial statements

8. Interest payable and similar charges

	Group 2017 £'000	Group 2016 £'000
Interest on bank loans and overdrafts	13,087	13,584
Finance leases	48	19
RCGF Interest	13	32
Refinancing costs written off	379	601
	13,527	14,236
Less: interest capitalised in housing property costs	(179)	(182)
	13,348	14,054
Capitalisation rate used to determine the finance costs capitalised during the period	4.5%	4.6%

Association	**2017 £'000**	2016 £'000
Interest on bank loans and overdrafts	2	3
Finance leases	-	-
RCGF Interest	-	-
Refinancing costs written off	-	-
	2	3
Less: interest capitalised in housing property costs	-	-
	2	3

Notes to the financial statements

9. Operating surplus / (deficit)

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Is stated after charging:				
Depreciation of housing properties	12,118	11,867	-	-
Depreciation of other tangible fixed assets	908	973	542	538
Impairment of investment properties	409	344	-	-
Operating lease charges:				
- Land and buildings	370	469	-	-
- Motor Vehicles	612	823	-	
Auditors' remuneration (excluding VAT):				
- for audit services and tax	55	52	10	7
- for non-audit services				
- tax advisory	-	26	-	26
- other	-	5	-	-

10. Surplus on sale of fixed assets - housing properties

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Disposal proceeds	3,319	2,894	-	-
Carrying value of fixed assets	(2,907)	(2,257)	-	-
	412	637	-	-

Notes to the financial statements

11. Tax on surplus on ordinary activities

	Group		Association	
United Kingdom Corporation Tax	**2017**	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Current taxation:				
Current tax on income for year	889	715	193	78
Adjustment in respect of prior year	(294)	-	(45)	-
Total current tax charge/(credit)	595	715	148	78
Deferred taxation:				
Net origination and reversal of timing differences	(313)	32	(33)	(12)
Adjustments in respect of prior periods	47		40	-
Effect of tax rate change on opening balance	(13)	112	1	5
Total tax charge	316	859	156	71
Tax relating to other comprehensive income				
Deferred taxation:				
Net origination and reversal of timing differences	(166)	1,174	-	-
Tax relating to other comprehensive income	(166)	1,174	-	-

Notes to the financial statements

11. Tax on surplus on ordinary activities (continued)

The current tax charge for the year varies from the standard rate of corporation tax in the United Kingdom of 20% (2016 20%). The differences are explained below:

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Surplus on ordinary activities subject to tax	11,233	6,085	670	318
Surplus on ordinary activities at the standard rate of corporation tax in the UK of 20% (2015 - 21%)	2,246	1,217	134	64
Effects of:				
Expenses not deductible for tax purposes	45	200	20	1
Adjustments to tax charge in respect of previous periods	(294)	-	(45)	-
Income not taxable	(2,236)	(389)	-	-
Fixed asset differences	695	4	-	-
Amounts charged/(credited) directly to income or otherwise	(195)	-	-	-
Capital gains/(losses)		9	-	-
Losses utilised	11	-	-	-
Adjustments to tax charge in respect of previous periods - deferred tax	47		40	
Deferred tax charged/(credited) directly to income or otherwise	166	-	-	-
Adjust closing deferred tax to average rate of 20%	91	72	7	6
Deferred tax not recognised	(270)	(254)	-	-
Deferred Tax timing differences	9	-	-	-
	315	859	156	71

Unrelieved losses of £nil (2016: £nil) are carried forward and are available to reduce the tax liability in respect of future surpluses.

Notes to the financial statements

12. Tangible fixed assets - Housing properties – Group

Housing properties	Social Housing Shared Ownership Held for letting £'000	Social Housing Shared Ownership Under construction £'000	Social Housing Held for letting £'000	Social Housing Under construction £'000	Total £'000
Cost					
At 1 April 2016	33,218	107	633,631	13,010	679,966
Additions	4	3,985	6,410	8,222	18,621
Schemes completed in year	1,773	(1,773)	10,949	(10,949)	-
Transfer (to)/ from current assets	25	(1,353)	-	-	(1,328)
Disposals	(687)	-	(2,749)	(147)	(3,583)
At 31 March 2017	34,333	966	648,241	10,136	693,676
Depreciation and impairment					
At 1 April 2016	(1,778)	-	(101,899)	(225)	(103,902)
Charged in year	(294)	-	(11,502)	-	(11,796)
Released on disposal	62	-	1,825	-	1,887
At 31 March 2017	(2,010)	-	(111,576)	(225)	(113,811)
Net book value					
At 31 March 2017	32,323	966	536,664	9,911	579,865
At 31 March 2016	31,440	107	531,732	12,785	576,064

Notes to the financial statements

12. Tangible fixed assets - Housing properties (continued)

The net book value includes £987,507 (2016: £1,007,362) in respect of assets held under finance leases. Depreciation charged in the year on these assets amounted to £19,856 (2016: £19,856).

Social Housing Grant	2017 £'000 Capital	2016 £'000 Capital
Total accumulated SHG receivable at 31 March :	**242,071**	250,464
Recognised in the Statement of Comprehensive Income	**2,870**	8,826
Held as deferred income	**239,201**	241,638
	242,071	250,464

The Group is unable to analyse the cost of housing land and buildings between freehold and other tenures, nor is it able to provide a reasonable estimate except at excessive costs. It is considered the effect of this omission is negligible.

Expenditure on works to existing properties:	2017 £'000	2016 £'000
Amounts capitalised	**6,365**	6,932
Amounts charged to income and expenditure account	**4,491**	5,757
	10,856	12,689

Impairment

The Group considers individual schemes to be separate Cash Generating Units (CGU's) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and SORP 2014.

During the year, as a result of the future reduction in income enforced by the Welfare Reform and Work Act 2016, social housing properties were assessed for impairment. No impairment has been realised on these properties.

Notes to the financial statements

13. Investment properties

	Total £'000
Valuation	
At 1 April 2016	8,191
Additions	-
Disposal	(2,190)
Revaluation	(21)
At 31 March 2017	5,980

The group's freehold commercial investment properties were subject to a directors' valuation as at 31 March 2017. This valuation was under instruction from the directors of Plus Dane (Merseyside). The result of the valuation was a £21k reduction in value which has been recognised through the Statement of Comprehensive Income.

The valuation represents an assessment of the Market Value (as defined in the Royal Institute of Chartered Surveyors' Valuation Standards) of the individual properties. This was based on an offer for sale on the property as at the end of March. The valuation has been carried out by a qualified surveyor who is a chartered surveyor and a member of the Royal Institution of Chartered Surveyors. The surveyor is also an employee of the company.

14. Other fixed assets

Group

	Freehold offices £'000	Leasehold office premises £'000	Motor vehicles £'000	Fixtures & equipment £'000	Total £'000
Cost					
At 1 April 2016	6,010	1,186	62	7,013	14,271
Additions	-	-	-	50	50
Disposals	(413)	-	-	(3)	(416)
At 31 March 2017	5,597	1,186	62	7,060	13,905
Depreciation					
At 1 April 2016	(2,674)	(863)	(62)	(4,836)	(8,435)
Charged for the year	(109)	(77)	-	(794)	(980)
Disposals	146	-	-	3	149
At 31 March 2017	(2,637)	(940)	(62)	(5,627)	(9,266)
Net book value					
At 31 March 2017	2,960	246	-	1,433	4,639
At 31 March 2016	3,336	323	-	2,176	5,835

Notes to the financial statements

Association

	Fixtures, fittings & equipment £'000
Cost	
At 1 April 2016	4,354
Additions	43
Disposals	-
At 31 March 2017	4,397
Depreciation	
At 1 April 2016	2,758
Charge for the year	542
Disposals	-
At 31 March 2017	3,300
Net book value	
At 31 March 2017	1,097
At 31 March 2016	1,596

15. Subsidiaries

As required by statute, the financial statements consolidate the results of Plus Dane Housing Group Limited and its wholly owned and/or controlled subsidiary undertakings, as follows:

- Plus Dane (Cheshire) Housing Association Limited (1)
- INclude Neighbourhood Regeneration Limited (1)
- Three60 Property Investors Limited (2)
- Dane Partnership Homes Limited (2)
- Plus Dane (Merseyside) Housing Association Limited (1)

(1) Registered Provider
(2) Limited Companies Registered in England

In accordance with the Accounting Direction for Private Registered Providers of Social Housing 2015 disclosures have been made in relation to transactions between Plus Dane Housing Group and non-regulated entities within the Group.

Notes to the financial statements

During the year the Association had the following intra-Group transactions with Dane Partnership Homes Limited, Three60 Property Investors Limited and Include Regeneration Limited, non-regulated entities:

	Dane Partnership Homes Limited		Three60 Property Investors Limited		Include Neighbourhood Regeneration Limited	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Management Services	-	(1)	-	(18)	(81)	(106)
Development and Sales Services	-	-	-	(55)	-	-
	-	(1)	-	(73)	(81)	(106)

Transaction Category	**Allocation Basis**
Management Services	Directly attributable costs and percentage of budgeted turnover
Development and Sales Services	Directly allocated Staff Costs

During the year Plus Dane Merseyside provided a guarantee to three60 Property Investors Limited, a fellow group undertaking, for £10.5m. The guarantee was released in November 2016.

16. Fixed asset investments

Group

	Joint venture loan £'000
At 31 April 2016 and at 31 March 2017	107

Association	**Joint Venture £'000**
At 1 April 2016 and at 31 March 2017	107

Notes to the financial statements

Joint Venture Undertakings

The Group has the following aggregate interests in joint ventures.

	2017	2016
	£'000	£'000
Share of gross assets	**336**	342
Share of gross liabilities	**(237)**	(307)
Share of net assets	**99**	35

The Association (and Group) holds a 22.5% interest in the ordinary share capital of a joint venture undertaking, Circle Liverpool Limited. This company is incorporated in the United Kingdom and manages and operates waste recycling in the Liverpool area.

17. Stock

Group

	2017	2016
	£'000	£'000
Consumables	**109**	116

18. Properties for sale

Group	**2017**	2016
	£'000	£'000
Outright sale	**1,422**	3,770
Shared ownership	**1,193**	1,027
	2,615	4,797

Notes to the financial statements

19. Debtors

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Amounts receivable after one year				
Amounts due under finance lease	**5,094**	5,556	**-**	-
Amounts receivable within one year				
Rent and service charges	**3,836**	3,736	**-**	-
Less: provision for bad debts	**(2,598)**	(2,349)	**-**	-
	1,238	1,387	**-**	-
Amounts due under finance lease	**462**	136	**-**	-
Development sales debtors	**-**	289		
Loans to employees	**27**	66	**-**	-
Other debtors and prepayments	**4,916**	5,974	**779**	722
Other tax and social security	**-**	1,680	**-**	-
Amounts due from Group undertakings	**-**	-	**31**	83
Corporation tax debtor	**26**	-	**-**	-
Deferred tax	**256**	60	**49**	57
	6,925	9,592	**859**	862
	12,019	15,148	**859**	862

Amounts due under finance lease

Amounts due under finance leases amount to £5,556,000. This represents the value of the finance lease at 31 March 2017 granted to CLS Care Services over The Larches in Macclesfield. The Larches is a 90 unit dementia and extra care village which was completed and the lease granted in October 2007. The lease is for a period of 30 years and the substance of the lease is such that it is deemed to be a finance lease and has been treated in the financial statements accordingly.

Finance leases are receivable as follows:

	2017	2016
	£'000	£'000
Within one year	**462**	136
Between one and two years	**462**	144
Between two and five years	**924**	669
After five years	**3,708**	4,743
	5,556	**5,692**

Notes to the financial statements

Loans to employees

The loans to employees relate solely to the Group's car loan, travel pass and course loan scheme, the interest rate on all loans being between 3 per cent and 3.5 per cent per annum repayable by monthly instalments.

20. Creditors: amounts falling due within one year

	Group		Association	
	2017 £'000	**2016 £'000**	**2017 £'000**	2016 £'000
Loans (see note 21)	2,437	2,435	-	-
Finance lease creditor (see note 21)	23	38	1	1
Trade creditors	2,559	1,666	539	171
Social Housing Grant received in advance	1,732	1,732	-	-
Rent received in advance	2,269	2,070	-	-
Other tax and social security	937	2,766	78	94
Corporation tax	243	277	148	45
Accruals and deferred income	6,975	9,947	1,043	1,766
Recycled Capital Grant Fund (see note 25)	1,712	-	-	-
Disposal Proceeds Fund (see note 23)	160	356	-	-
Amounts due to Group undertakings	-	-	1,273	1,934
Other creditors	2,415	2,442	67	39
Deferred Grant Income (see note 22)	3,017	2,940	-	-
Amounts due to pension funds	325	313	-	-
Deferred tax	-	250	-	-
	24,804	27,232	3,149	4,050

21. Creditors: amounts falling due after more than one year

Group	**2017 £'000**	2016 £'000
Bank loans	293,342	304,876
Less: issue costs	(375)	(467)
	292,967	304,409
Deferred grant income(see note 22)	236,184	238,708
Recycled Capital Grant Fund (see note 25)	971	2,741
Disposal Proceeds Fund (see note 23)	442	454
Other grants	-	81
Finance lease creditor	1	23
Obligations from pension schemes	2,005	2,217
	532,570	548,633

Notes to the financial statements

Debt Analysis

Group	2017 £'000	2016 £'000
Debt on bank loans repayable as follows		
In five or more years	214,482	225,207
Between two and five years	55,746	77,232
Between one and two years	23,114	2,437
	293,342	304,876
In one year or less	2,437	2,435
	295,779	307,311

Housing loans from lending institutions are secured by specific charges on some of the Group's housing properties and floating charges over the Group's assets and are repayable at rates of interest of between 0.7% and 10.73%. The level of undrawn facilities at the year-end stands at £46.6 million (2016: £37.5 million).

Debt on finance leases repayable as follows	2017 £'000	2016 £'000
Within one year	23	38
Between one and two years	1	23
Between two and five years	-	
After five years	-	-
	24	61

Finance leases are secured on the assets to which they relate.

Association	2017 £'000	2016 £'000
Obligations under finance leases	-	-
	-	-

Notes to the financial statements

22. Deferred grant income

	2017 £'000	2016 £'000
At 1 April	241,648	242,903
Grants received in the year	1,298	2,248
Released to income in the year	(3,745)	(3,503)
At 31 March	239,201	241,648

	2017 £'000	**2016 £'000**
Amounts to be released within one year	3,018	2,940
Amounts to be released in more than one year	236,183	238,708
	239,201	241,648

23. Disposal proceeds funds

Group	**2017 £'000**	2016 £'000
At 1 April	810	668
Grant recycled upon relevant events	189	252
Utilisation of fund	(400)	(114)
Interest credited	3	4
Balance at 31 March	602	810

Disclosed as:

	2017 £'000	2016 £'000
Due within one year (see note 20)	160	356
Due after one year	442	454
	602	810

Notes to the financial statements

24. Deferred tax

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
At 1 April	190	(1,129)	(57)	(50)
Origination and reversal of timing differences	(446)	1,319	8	(7)
Prior year adjustment	-	-	-	-
At 31 March	(256)	190	(49)	(57)
Deferred tax asset (note 19)	(256)	(60)	(49)	(57)
Deferred tax liabilities (note 20)	-	250	-	-
Net deferred tax liability/(asset)	(256)	190	(49)	(57)
Comprising:				
Accelerated capital allowances	318	337	(49)	(57)
Fixed asset timing differences	-	(3)	-	-
Losses and other deductions	(26)	(11)	-	-
Short term timing differences	(548)	(133)	-	-
Net deferred tax (asset)/liability	(256)	190	(49)	(57)

25. Recycled capital grant fund

Group	**2017**	2016
	£'000	£'000
At 1 April	2,741	2,748
Additions to fund	418	549
Interest credited	10	15
Utilised in the year	(486)	(571)
At 31 March	2,683	2,741
Disclosed as:		
Amounts falling due within one year	1,712	-
Amounts falling due after one year	971	2,741
	2,683	2,741

Notes to the financial statements

26. Share capital

	2017	2016
	£	£
Shares of £1 each issued and fully paid		
At 1 April and 31 March	19	19

The shares provide members with the right to vote at general meetings but do not provide any rights to dividends or distributions. The members' liability is limited to £1 on a winding up of the Association.

27. Notes on the cash flow statement

Reconciliation of operating surplus to net cash generated from operating activities

	2017	2016
	£'000	£'000
Operating surplus	**25,076**	20,624
Adjustment for non cash items:		
Depreciation of tangible fixed assets	12,918	13,070
Decrease/(increase) in stock	3,517	4,079
Decrease/(increase) in trade and other debtors	3,351	(3,094)
Decrease/(increase) in trade and other creditors	(3,177)	3,180
Pension costs less contributions payable	(456)	58
Impairment/Revaluation of investment properties	21	344
Carrying amount of tangible fixed asset disposals	266	-
Share of operating (surplus)/deficit in associate	(9)	(6)
Adjustments for investing or financing activities:		
Proceeds from the sale of tangible fixed Assets	-	(668)
Government grants utilised in the year	(3,017)	(2,966)
Tax	(652)	(589)
Net cash generated from operating activities	37,838	34,032

Notes to the financial statements

28. Capital commitments

Group

	2017 £'000	2016 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	13,250	10,781
Capital expenditure that has been authorised but not yet contracted for	8,482	7,267
	21,732	18,048
The Group expects to finance the above commitments by:		
Social Housing Grant receivable	1,586	1,013
Loan facilities, shared ownership staircasing sales and other trading cash flows	20,146	17,035
	21,732	18,048

29. Commitments under operating leases

The future minimum lease payments are as set out below. Leases relate to motor vehicles and intercompany property leases.

	2017 £'000	2016 £'000
Not later than one year	610	913
Later than one year and not later than five years	252	700
Later than five years	-	-
	862	1,613

Notes to the financial statements

30. Related parties

Councillor David Brown is a councillor with Cheshire East Borough Council which has nomination rights over tenancies for certain properties.

Councillor George Davies is a councillor with Wirral Metropolitan Borough Council which has nomination rights over tenancies for certain properties. Within this role he is also on the Merseyside Pension Fund Committee for which Plus Dane Merseyside is a member. Councillor George Davis resigned 17 March 2017

Mervyn Jones is a Board member on the National Housing Federation for which Plus Dane is a member. During the year Plus Dane paid £54,530 for membership, events and for publications. There were no debtor or creditor balances at the end of the year. Mervyn Jones resigned 15 September 2016.

Circle is a Joint Venture which Plus Dane Housing Group Limited is a member which operates as a waste management company. The investment in Circle stood at £57k (2016: £57k) and the loan stood at £51k (2016: £57k). At the end of 2017 the balance outstanding owing to Circle for waste management services was £12k (2016 £28k). During the year the company paid £315k in respect of waste disposal (2016 £263k).

31. Post Balance Sheet Events

The housing management contract with Cheshire West & Chester for Ellesmere Port & Neston came to an end on 30 June 2017, leading to a reduction in the number of properties in management of approximately 5,400.