RED KITE COMMUNITY HOUSING LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDING 31 MARCH 2016

REGISTERED WITH THE HOMES & COMMUNITIES AGENCY No. 4682

REGISTERED WITH THE FINANCIAL CONDUCT AUTHORITY No.31322R

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Association information

Registered Society registration number	31322R
Homes and Communities Agency registration number	4682
Registered office	Red Kite Community Housing Limited Windsor Court Kingsmead Business Park Frederick Place High Wycombe Buckinghamshire HP11 1JU
Board	Jennie Ferrigno BEM – Chairman Justin Bootland - Vice-Chairman Michaela Booth *(resigned 11 September 2015)* Suzanne Brown (*appointed 26 February 2016)* Hazel Chandler (*resigned 15 June 2016*) Sheelagh Jones (*resigned 15 June 2016*) Ian McEnnis James Moorcroft Chris Pierce Jean Teesdale *(resigned 14 January 2016)* Jonathan Walton (*resigned 15 June 2016*) Mike Gahagan (*co-opted 15 February 2016*) Kate Haven (*co-opted 15 February 2016*) Steven McIntosh (co-optee) James Threapleton (*co-opted 15 February 2016*)

Association information (continued)

Chief Executive	Trevor Morrow
Company Secretary	Neil Venables
Executive Directors	Alan Keers, Director of Operations
	Neil Venables, Resources Director
Bankers	The Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB
	Santander UK plc 17 Ulster Terrace London NW1 4JP
Solicitors	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ
External Auditor	Grant Thornton UK LLP Grant Thornton House Melton Street Euston Square London NW1 2EP
Internal Auditor	Mazars LLP Tower Bridge House St Katharine’s Way London E1W 1DD

Chairman's Statement

Another year of immense change has come and gone, yet it has also been one of great achievement. A time of challenge and opportunity lies ahead. But in the midst of all the uncertainty there are important constants that we must not forget.

Firstly, why we are in business and what we are here to do. We are here to realise the potential in our communities. We remain a community-based provider of homes and services; a business that knows and understands its customers, communities and local stakeholders. In particular, we will continue to provide homes to rent for those for whom alternative housing options are either unaffordable or unavailable.

Secondly, how we go about our business. We are and will remain a tenant-led business. We will continue to provide the means for tenants and leaseholders to shape our direction and determine what type of organisation we are and will be. Our focus now, more important than ever after the clear voting by millions on the EU referendum, is to listen to and articulate the views of our customers and not to adopt a 'we know best' approach or embrace government policy without challenge. And we will remain true to our values of partnership, respect, pride and creativity.

Thirdly, we are a successful business. We have completed another impressive year. We are on the verge of completing the delivery of the promises made to tenants five years ago, ahead of schedule, within cost and to the satisfaction of our customers. We have invested in social enterprise, creating training opportunities for young people; we have begun a fundamental shift towards delivering services digitally; we have reduced both rent arrears and the length of time it takes us to re-let empty homes; and we have reduced our annual management costs by £3,800,000. And our success, and the strong foundations that we have built in just 5 years, have been recognised by our regulator, who awarded us "top marks" in their July 2016 review.

So where do we go from here? We certainly are not complacent or satisfied with what we have done. Our new 5-year Corporate Strategy reaffirms who we are and what we are here for, but it also sets a new course. With the delivery of the transfer promises behind us and having built a financial capacity to invest in new homes, we are embarking on the development of desperately needed new homes for our communities. We will increase our investment in projects that create community benefit, including social enterprises. But most importantly, we want to inspire people; to realise their individual potential and the potential within communities.

I cannot miss the opportunity to thank those who have made all this possible. I would thank my fellow Board members who have ensured that we remain true to our purpose and our values, especially Hazel Chandler, Sheelagh Jones and Jonathan Walton who have recently stepped down. And I must thank all our staff and the host of volunteers who work tirelessly to deliver our success, and all our partners too.

So to the future; one in which our creativity, resilience and passion will be key to our continued success. And one in which we must continue to listen and respond to the views of our customers and communities

Jennie Ferrigno BEM

Chairman

Strategic Report

Principal activities

The association is a charitable registered society that was registered with the Financial Conduct Authority on 26 July 2011 and commenced trading on 13 December 2011 when it purchased the entire housing stock of Wycombe District Council. Red Kite's primary purpose is to deliver the promises made to tenants and leaseholders in the formal Transfer Offer issued in April 2011 and to provide affordable housing throughout the Wycombe District.

The association owns and manages over 6,500 properties across the Wycombe District, including over 600 leasehold flats. The association also provides housing-related services and engages in community initiatives.

Business and financial review

The financial statements cover the twelve-month period to the 31 March 2016. The Board reports an operating surplus for the year of £9,681,000 (2015: £9,478,000). The operating surplus for the year is comparable to the previous twelve months with a similar amount of major repairs and improvement expenditure charged to the statement of comprehensive income (2016: £10,315,000; 2015: £10,651,000). In addition, the association invested a further £10,990,000 (2015: £13,326,000) that was added to the value of its homes as reflected in the statement of financial position. The total investment during the year in the association's homes of £21,305,000 (2015: £23,977,000) has resulted in 97% (2015: 73%) of the major improvements promised to the tenants and leaseholders at transfer having been delivered by 31 March 2016. The association will deliver the remaining promises before December 2016, ahead of schedule and at a significant cost saving. This has generated resources to invest in our local communities, including developing new homes, and to deliver the regeneration scheme on the Castlefield estate in High Wycombe.

The reported total comprehensive income for the year (2016: £6,953,000) is significantly affected by the accounting provisions under Financial Reporting Standard 102 (FRS102) and the previous year's results (2015: £1,052,000) have been similarly restated. The provisions reflect adjustments to the fair value of our loans and investment properties, neither of which impact cash flows or loan covenants.

Red Kite is a tenant-led business. This means that we provide the means for tenants and leaseholders to influence our direction and determine what type of organisation we are and will be. We have 740 tenants and leaseholders as shareholders (2015: 658), a figure that continues to rise; tenants and leaseholders sit on our Board; and it is tenants and leaseholders who make the key procurement decisions and monitor performance. In response to the Merger Code produced by the National Housing Federation during the year, we are consulting with our shareholding members on what is the appropriate response that will benefit the communities that we serve. In partnership with the Board, staff, stakeholders and contractors, tenants and leaseholders are the foundation of what we do.

Strategic Report (continued)

Business and financial review (continued)

The past year has seen the introduction of government policies that have a considerable impact upon our financial capacity. April 2016 saw the first of four annual 1% reductions in rent and the association has continued to adapt to the changes in welfare benefits that are impacting upon our customers. In November 2015 our first tenants switched onto universal credit. Currently the number of customers affected is small but this will increase and we are working to minimise the impact on our customers and on our finances. We have successfully worked with our tenants so that gross current tenant arrears of rent have fallen from 4.0% in 2013 to 3.3% in 2016.

The Board approved a business plan in March 2016 that manages the impact of the four years of rent reductions and the further welfare reforms announced by the Government during the year. Despite the significant impact to its finances, the association has a fully funded business plan that complies with all loan covenants. The plan requires no assumptions about future efficiency savings in order for the association to remain viable. This has allowed the association to avoid ad hoc cuts in expenditure and the need to impose a decrease in service standards to our tenants and leaseholders, and the wider community.

The forthcoming rent reductions and welfare reforms announced have, however, impacted on the funds available for investing in new homes. Despite this, the association has been able to increase the resources available to invest in new homes by £58 million since the date of transfer. However, some of this additional resource will be required to replace the homes sold under the preserved Right to Buy to tenants who transferred in December 2011. In the financial year there were 27 sales under the preserved Right to Buy (2015: 42), taking the total number of sales to 150 since transfer. The terms of the transfer agreement with Wycombe Discount Council mean that the association does not retain the full proceeds from any such sales to allow it to replace these with new homes for the local community to rent. If such terms apply to the proposed Voluntary Right to Buy the association will not be able to participate as it will not be able to replace each home sold from the proceeds retained. Nonetheless, the association plans to build 375 new homes over the next five years, including completing the regeneration of the Castlefield estate in High Wycombe.

The culture of the association is based on continuous innovation of what we do and how we do it. This culture will deliver additional reductions in expenditure and will strengthen the finances of the association to allow for additional investment in line with the corporate objectives.

Strategic Report (continued)

Business and financial review (continued)

Summary statements of comprehensive income and financial position are shown below:

	FRS102		Old UK GAAP	
For the year ended 31 March	2016	2015	2014	2013
	£'000	£'000	£'000	£'000
Statement of Comprehensive Income				
Total turnover	36,343	35,530	33,682	32,442
Operating surplus	9,681	9,478	10,927	12,832
Total comprehensive income for the year	6,953	1,052	9,999	11,970
Statement of Financial Position				
Negative goodwill	(38,187)	(40,206)	(41,316)	(42,484)
Housing properties, net of depreciation	166,306	158,006	150,101	144,089
Investment properties	4,085	3,987	-	-
Social housing grant and other grants	-	-	(27,626)	(27,838)
Other fixed assets	890	1,074	1,262	1,492
Fixed assets	133,094	122,861	82,421	75,259
Net current assets	5,028	9,405	13,309	5,887
Total assets less current liabilities	138,122	132,266	95,730	81,146
Creditors due in more than one year	(92,870)	(92,877)	(59,002)	(58,632)
Net pension liability	(5,793)	(6,883)	(8,939)	(4,908)
Provisions for liabilities	(28)	(28)	-	-
Total net assets	39,431	32,478	27,789	17,606)
Reserves	(39,431)	(32,478)	(27,789)	(17,606)

Strategic Report (continued)

Business and financial review (continued)

	2016	2015	2014	2013
Social housing properties owned at the year-end:	5,911	5,944	5,980	6,025
Statistics:				
Operating surplus as % of turnover	26.6%	26.7%	32.4%	39.6%
EBITDA interest cover	271.6%	288.7%	365.5%	404.7%
EBITDA MRI interest cover	-10.4%	-54.2%	169.1%	284.7%
Surplus for year as % of income from social housing lettings	17.9%	7.5%	31.2%	38.7%
Rent losses (*voids and bad debts as % of rent and service charges receivable)*	1.5%	2.4%	2.5%	2.9%
Rent arrears *(gross current tenant arrears as % of operating turnover)*	3.3%	3.6%	3.6%	4.0%
Liquidity *(current assets divided by current liabilities)*	148.4%	186.7%	299.3%	206.8%

Financial information is provided from the first full year of trading. Results for the three month trading period in 2011-12 are not included as they are not directly comparable.

Strategic Report (continued)

Business and financial review (continued)

Objectives and strategy

The Board adopted the National Housing Federation 2015 Code of Governance in March 2015. As part of adopting the Code, the Board undertook a review of the Rules of the association, reducing the size and revising the structure of the Board. At a Special General Meeting in June 2016 the shareholding members agreed to adopt new Rules for the association. The significant changes were to reduce the size of the Board to 11, whilst increasing the opportunity for tenants and leaseholders to be on the Board. The Board is aware of the risks inherent in its operating environment and the new risks that are created by its new corporate strategy, especially with regards to development. During the year the Board has recruited new members to ensure that the Board has the necessary skills, individually and collectively, to manage these risks and to effect strong governance.

The Board has also reviewed the purpose and objectives for the association to enable it to develop the business once the transfer promises have been delivered. The association's purpose is:

"To realise the potential in our communities".

The Board recognises that it is not only what we do, but how we do it, that is important. The culture that will reflect this is based upon:

Partnership:
We cannot achieve our purpose alone or as individuals acting alone. We want to work with others who share our purpose and values. Our customers, volunteers and staff work together to achieve success.

Respect:
We value everyone and seek to enable every individual to realise their potential.

Pride:
We strive always to be the best we can, learning from our mistakes and celebrating our successes

Creativity:
In an ever-changing world, standing still is not an option. We constantly seek out new and better ways of achieving our purpose. We use our creativity to drive innovation and deliver our objectives.

Strategic Report (continued)

Business and financial review (continued)

The Corporate Strategy objectives are:

PROVIDING GREAT HOMES	We will provide homes in our local communities that our customers need, aspire to and can afford, in neighbourhoods where they want to live and are proud of We will provide new homes in our local communities, with choices that make the best use of the properties and land available to us We will provide a greater range of options for our customers to rent, lease or own a home
KNOWING OUR CUSTOMERS	We will get the basics right by knowing our current and future customers; what they need, aspire to, can afford and what's important to them We will use feedback to respond to their changing needs, to increase choice and to drive innovation and improvement We will deliver personalised services in a way that is efficient and modern We will provide services in a way that reflects our culture and values and meets our customers' needs and aspirations at an affordable price
INSPIRING PEOPLE	We will have really amazing talented staff and volunteers working for us and others wanting to join us
BUILDING THRIVING COMMUNITIES	We will work together to develop safe, connected, sustainable communities that grow and flourish We will build strong partnerships to create opportunities that benefit the whole community and create positive life chances
INCREASING OUR INVESTMENT	We will generate surpluses to reinvest within our communities We will constantly review the services we deliver and how we deliver them to ensure we reduce costs and offer value to customers We will seek opportunities that generate a positive financial return, whether these are in providing new homes, new services or social enterprises

Strategic Report (continued)

Value for Money

Overview

Over the past year we have grown in financial strength, invested in our homes to deliver our transfer promises and improved the quality of lives of our tenants and leaseholders.

The headlines are:

- Since 2011, we have improved our surpluses by £3.8 million per annum through reductions in recurring costs and generation of additional income, which is equivalent to 11% of annual turnover. Our 2016-17 budget incorporates the £1.2 million savings generated in 2015-16;
- We have fully delivered on 76% of our 103 transfer promises and we have completed 97% of the promised improvements to our homes. We will complete the 5-year programme of improvement to our homes in 2016-17 with a total saving of £33 million;
- We have reviewed the viability and sustainability of our sheltered schemes and will generate £6 million of income from the sale of three economically unsustainable sites;
- We have increased the funding available for investment in new homes and other corporate strategy objectives by over £60 million since transfer;
- We have significantly improved our performance on re-letting voids, rent collection and customer satisfaction over the past year;
- We compare favourably against other registered providers on costs and performance in most areas, though we recognise that we are not the very best yet;
- We have successfully completed the majority of our objectives in our 2011-16 Corporate Plan. When we started as a business in 2011, alongside our Transfer Promises, we set ourselves 24 strategic value for money aims to achieve in our first five years. By the end of 2014-15 we had delivered 19 of these and a further four have been completed in 2015-16, with the remaining one over 75% complete.

However, we are committed to reducing costs further through more efficient services and maximising the return on our assets. We will continue to achieve greater value for money through challenging our costs and the way we provide services, especially in areas where we are comparatively higher than similar housing associations. We have plans to reduce costs further through re-financing our current loan facility, seeking to maximise the benefits of cost-sharing arrangements and improving efficiency. These will be reported to, and delivery monitored by, the Finance Committee.

More information can be found at www.redkitehousing.org.uk/value-for-money.

Strategic Report (continued)

Value for Money (continued)

Our approach to Value for Money

As a community based Housing Association we are committed to maximising the outcome of every pound we spend. We do this through an embedded culture of innovation and challenge, making sure we do the right things, the right way with the right investment. We have a clear strategic approach that is reviewed annually by our Board outlining our approach, what we need to do to deliver value for money and how we will measure and monitor the implementation and outcomes.

We are always looking to become more efficient, but value for money is more than that. For us, it is about meeting our objectives at the right cost. We understand lowest cost is not always the highest value for money, so in some areas we have had to spend or invest more to achieve our objectives and to improve efficiency in the longer term. For example, we knew that the performance of our repairs contractor was not up to the standard we and our customers expected. So, we retendered the contract knowing that to meet our quality requirements would mean the contract price might increase. However, we minimised this increase through a robust specification and competitive tender exercise.

How we make best use of our assets

Return on assets

We make strategic investment decisions based on intelligent use of data about the properties we own, including independent valuations of our homes, to ensure we maximise the return on investment. Our current information is underpinned by a full survey of our homes carried out in 2012 and which will be updated through a new survey in 2017. This enables us to have a clear view on whether our homes are economically sustainable (i.e. where they cost more to maintain over the relevant investment period than they were worth). We use this to decide whether our homes are viable and what investment is needed.

An example of this is that six of our Sheltered Housing Schemes were identified as economically unsustainable in their current form, due to the anticipated cost of maintaining them over 30 years and their suitability as older persons accommodation. In 2015-16 our Board approved that we sell three of these schemes at a value of over £6 million, compared with their negative net present value of £367,000, which gives us £6.3 million extra to spend on new homes or investment works to our current homes. It also enables the land to be used for the development of new homes needed by the community.

Strategic Report (continued)

Value for Money (continued)

Bedsit conversions

We have continued our redevelopment of inefficient and hard to let bedsits and ex-Sheltered Scheme Manager accommodation in our sheltered schemes. When complete, we will have transformed 56 empty properties into 65 lettable properties that meet the needs of potential customers. By March 2016 we had completed 18 conversions, with 30 near completion. Last year, we forecast we would have completed 31 by March 2016. However, delays in obtaining planning approvals have extended the timescale for the works. We have saved £143,000 by bringing each property up to the Red Kite Standard at the same time as completing the conversion works. We also save the Council Tax payable whilst these properties are not let.

Investing in our homes

Between 2011 and March 2015, we invested £46 million in our existing homes. In 2015-16 we spent £21.3 million, and we will spend a further £19.5 million in 2016-17 to complete delivery of our promises. This means we are well on track to meet the transfer promises on time and at a cost that is £33 million less than the original forecast at the time of transfer. Through this investment programme, our homes have increased in value to £200 million, giving us extra borrowing capacity.

Castlefield Regeneration

By the end of 2015-16, we had bought back fifteen of the seventeen leasehold properties in the Castlefield regeneration area and we completed the final two purchases in May 2016. We are now in full ownership of all properties and can move forward with the regeneration of the estate. This regeneration will include demolishing 97 lower quality homes and replacing them with around 180 higher quality new homes, which is 48 more than originally planned.

Using our other property and land assets

We have reviewed our garage sites and, using this information, we undertook to carry out improvement work on sites that would pay back the investment within 5 years through improved rental income. The next element of our garage review is to carry out a valuation and options appraisals project on the remaining sites to ensure we can maximise the return on these assets.

Energy Efficiency

We have continued to invest and secured £360,000 in external funding for energy efficiency works. Overall we have increased our Standard Assessment Procedure (SAP) rating from 67.5 to 70.5 in 2015-16, which is well above the UK average of 56.5. We have carried out a full energy survey of our properties to inform our Sustainability Strategy and action plan for focusing on properties with lower energy performance where customers are more likely to face fuel poverty.

Strategic Report (continued)

Value for Money (continued)

How we have reduced costs

Over the past four years we have increased the funds available each year for meeting the reductions to rents and delivering our corporate objectives by £3.8 million, which is equivalent to 11% of annual turnover.

Year	Savings £'000
2012/13	£564
2013/14	£1,014
2014/15	£1,051
2015/16	£1,174
TOTAL	**£3,803**

We have achieved savings in 2015-16 through:

- Improved management of empty homes: We have reduced our rent loss by £200,000 through improving our void re-let times from 60 days to 21 days.
- Investment in new IT: We have saved costs through improved staff productivity, changed to issuing documents digitally instead of paper copies (Board papers: £10,000 saving; tenant newsletter: £24,000 saving), and introduced the use of GIS (our IT-based mapping system) that has as enabled us to identify land that we are maintaining that is not our responsibility. This will enable us to reduce the costs for grounds maintenance.
- Procurement of services: During the year we have improved our contract specifications and expanded our procurement approach. Examples of savings are: tenant payment services (£16,000) and pest control service (£4,000).
- Staffing costs: We reduced staffing costs by restructuring our Innovation Pod, saving £121,000.
- Improved performance data and expenditure forecasting: This has been key to understanding our quality, cost and time indicators which have integral to our improvements in performance in areas such as voids and income collection.
- Document retention: By reviewing what and how we store documents, we have saved £10,000 each year in storage costs.
- Removal of loss making contracts: We did not re-bid for the Supporting People support contract which ended in January 2016. This decision has removed the £215,000 per year loss which we were incurring on the contract. The revised contract is now provided by a third party for Buckinghamshire County Council.
- Investing in innovative technology: We purchased a drone fitted with cameras that enables us to examine roofs and gutters, saving us the use of expensive scaffolding and enable quicker surveys. The drone has been tested and we are currently obtaining a licence to ensure safe operations. This is forecast to save us £20,000 over the first five years.

Strategic Report (continued)

Value for Money (continued)

How our costs compare

A fundamental part of our value for money approach is to fully understand our costs, our performance and how we compare with others. We consider our absolute costs and performance, and whether these are getting better or worse, and our relative costs and performance compared with other registered providers. In previous years we compared our performance with that of 24 other registered providers with less than 7,500 homes based across the south of England. We have retained this comparison group, but also added comparison available through the Placeshapers association of more than 100 registered providers and, more locally, with local providers with whom we have recently begun discussions on possible cost-sharing arrangements.

	2012-13		**2013-14**		**2014-15**		**2015-16**	
Cost per property	Red Kite £	Peer Rank	Red Kite £	Peer Rank	Red Kite £	Peer Rank	Red Kite £	Peer Rank
Routine repairs	477	17	409	12	328	3	384	13
Void repairs	362	25	305	25	193	14	176	12
Housing management	198	2	186	1	218	3	201	3
Estate services	281	25	227	23	209	22	234	22
Corporate services	572	7	569	6	498	3	510	14

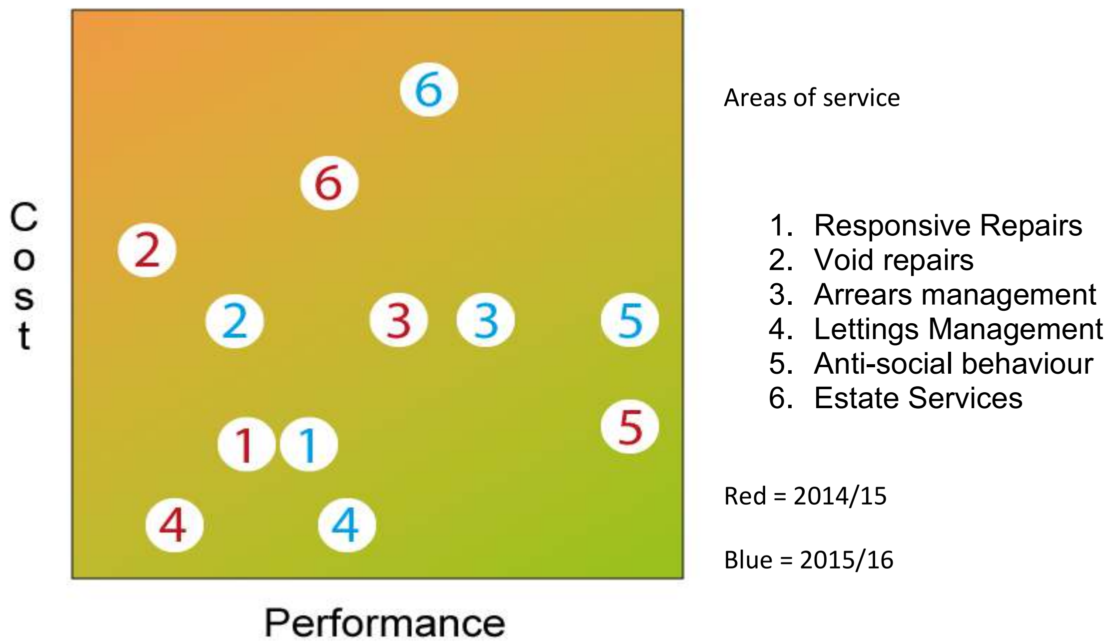
Comparison of key service costs (2015-16 Peer Rank is based on the peer group performance of 2014-15) based on HouseMark peer group of 24 southern Housing Associations with less than 7,500 homes.

Our major works or investment costs are higher than most housing associations as we are still delivering the significant transfer investment programme promised to tenants and leaseholders in 2011. Although we will complete the promised improvements in 2016-17, we will continue to improve our homes and invest in our other property over the next 5-10 years.

Costs are only one part of value for money. Outcomes, as measured by service performance and customer satisfaction, are also relevant. We monitor customer feedback and in three of the past four months we have received more compliments from customers than complaints.

Strategic Report (continued)

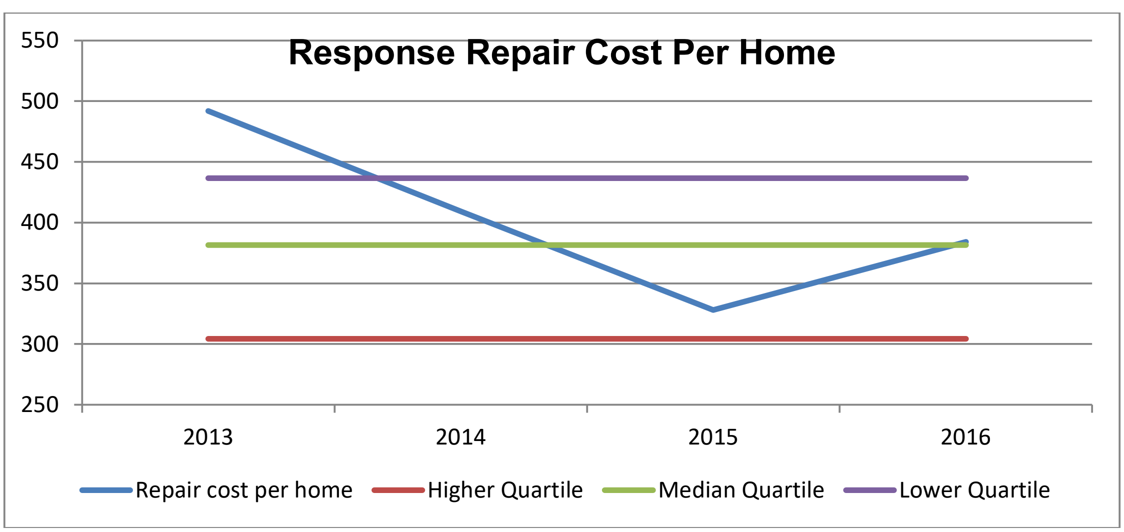
Value for Money (continued)



Value for money comparison against peer group in 2014-15 and 2015-16

Responsive repair costs

Our repair costs have increased over the past year, though remain at the median level, as a result of re-tendering the response repairs contract. Previous contractors had not been able to deliver the standard of service that we or our customers required. Customer satisfaction with the repairs service has improved since the new contract was let in July 2015.

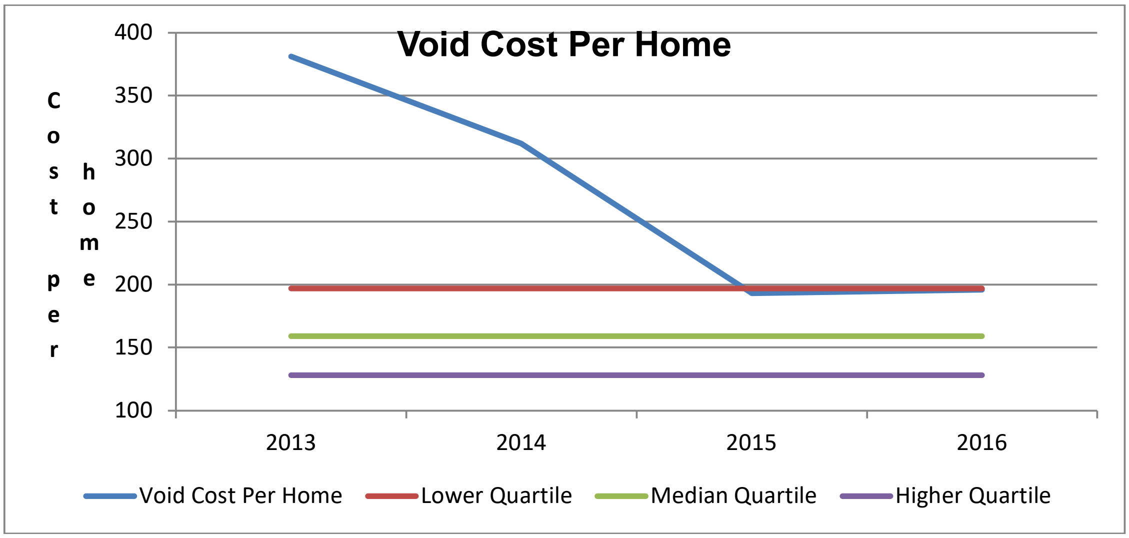


Strategic Report (continued)

Value for Money (continued)

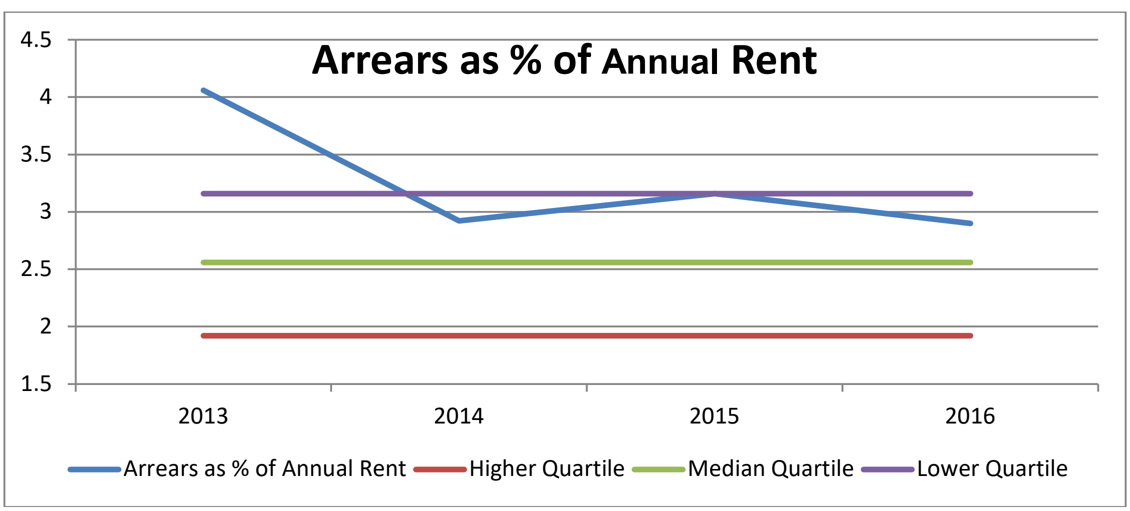
Void repair costs

Our void costs *per home managed* have reduced, although they remain high compared with our peers. Our cost per void property re-let appears to compare much better, so we shall explore why we are not performing better in terms of overall costs.



Arrears management

Arrears performance has improved substantially over the past year and has continued to improve since the year-end, though the overall position is still only slightly better than lower quartile benchmarks.

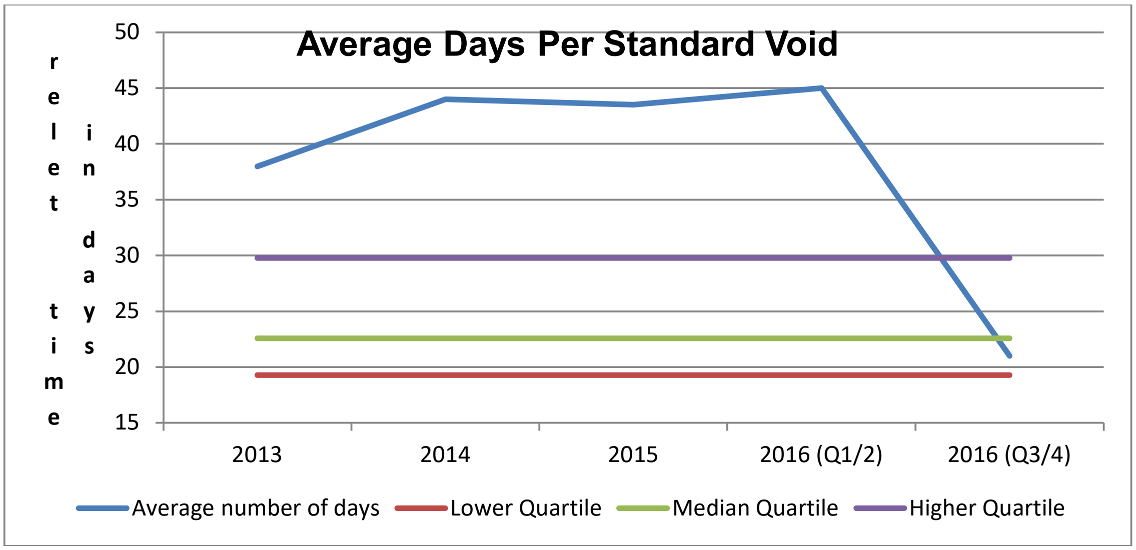


Strategic Report (continued)

Value for Money (continued)

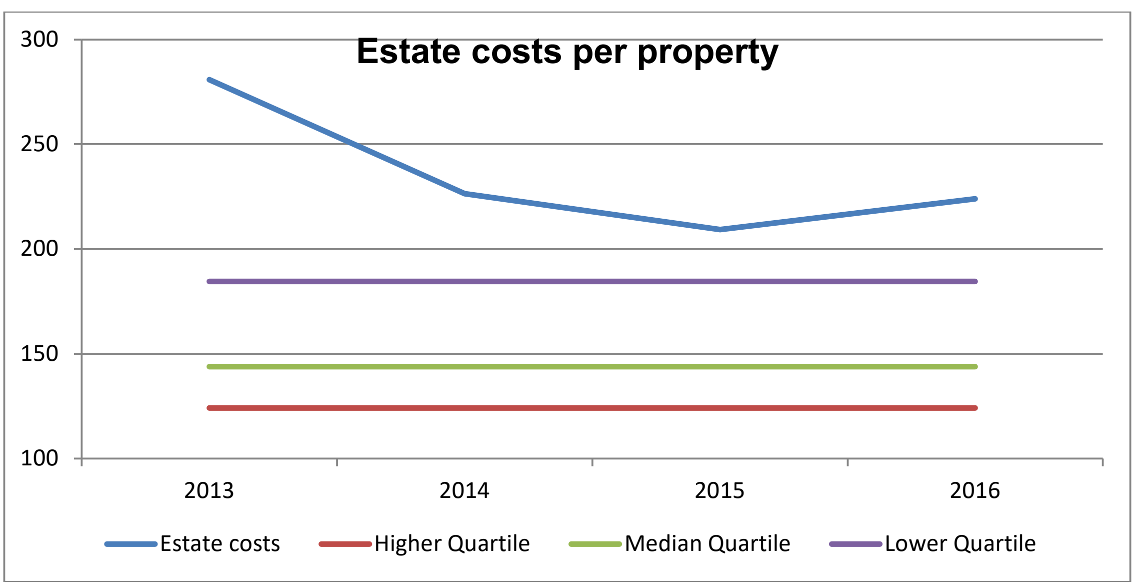
Lettings management

More significant is the performance in re-let times, especially the significant improvement in performance over the past 6 months, as shown below.



Estate management costs

As stated in the main report, estate management costs appear to be higher than our peers. We are exploring why this is the case and what is driving these costs, including comparing with other local providers.

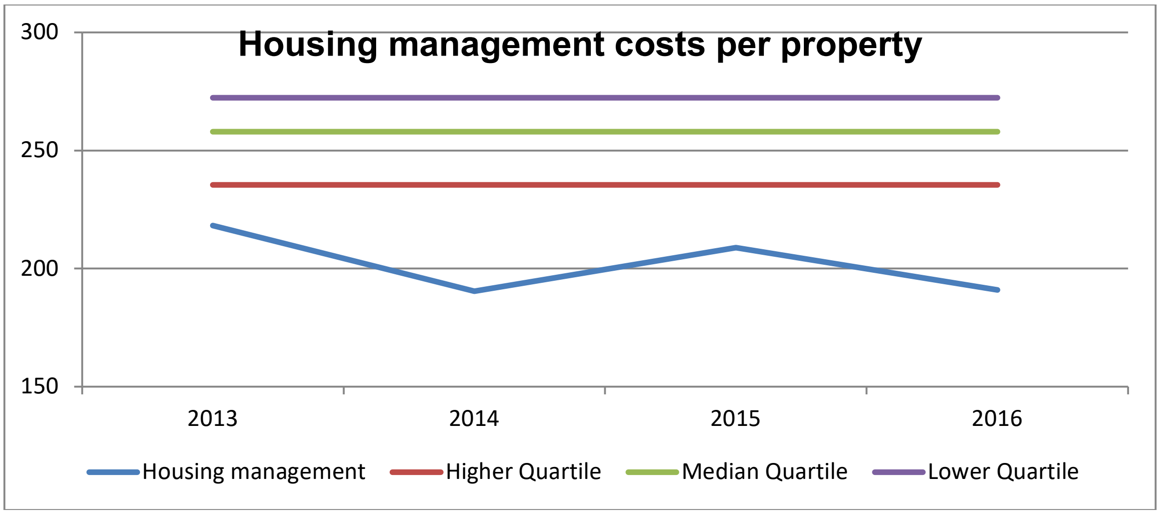


Strategic Report (continued)

Value for Money (continued)

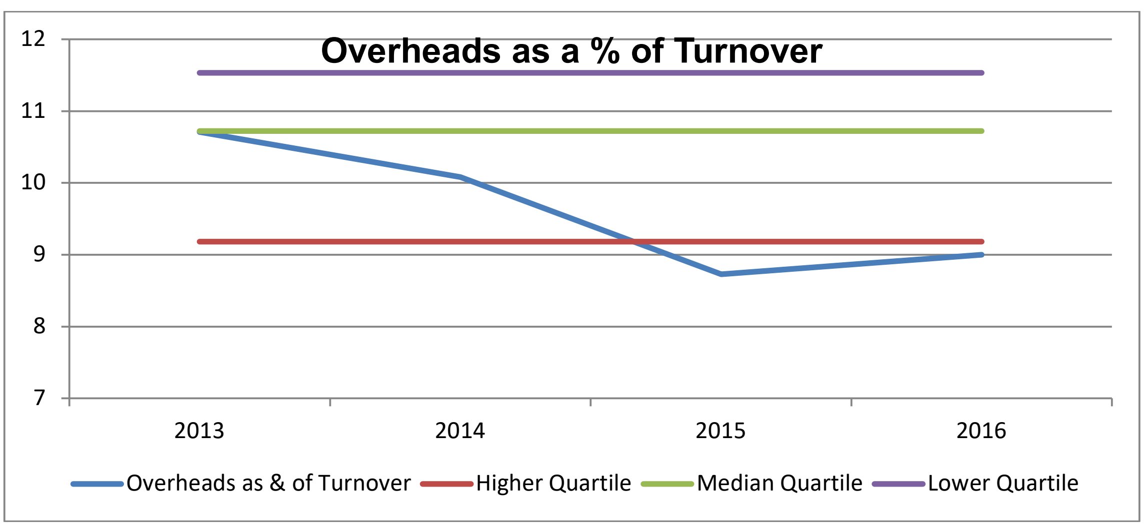
Housing management costs

Costs per property have fluctuated, but remain consistently in the top quartile throughout the past four years.



Overhead costs

Overhead costs as a percentage of turnover show a consistent reduction and performance is now top quartile. Costs were considerably reduced in our first three years after transfer as we improved efficiency. However, costs increased slightly in 2015-16 following our thorough review of staffing levels, but were still below our overhead costs at transfer. This resulted in an increase in staffing in key areas to give us the capacity required to move forward to deliver our corporate objectives. Despite the increase we are still median quartile compared with our HouseMark peer group.



Strategic Report (continued)

Value for Money (continued)

Future plans to improve value for money

We have three core strands to making improvements:

- Reviewing our funding costs through re-financing our current loan facility
- Developing new homes that will reduce overhead costs per property and generate a return on investment
- Reducing the cost of corporate services and service delivery

To implement these improvements:

- We have engaged independent advisors to review our approach and potential for development and to review our capacity to raise new finance. Our business plan assumes prudent long-term funding costs of 6.5%. It is anticipated that a reduction in funding costs could generate annual savings in excess of £1 million.
- We will invest resources to ensure that we have the necessary skills and advice to deliver and manage new homes and new tenure types.
- We will review our legal structure to ensure that any development is pursued in a way that manages risk, is tax-efficient and reduces costs.
- We will share cost data with similarly sized local housing associations. Whilst our comparative cost performance is good overall, we recognise that there may be further savings to be made from learning from other providers.
- We have reviewed the replacement life-cycles of kitchens and bathrooms, bringing them in line with industry standards. This will reduce our long-term repair costs by £39 million over the next 30 years without adversely impacting on the quality of our homes or services to tenants.
- We will complete the sale of three former sheltered housing scheme sites. This will generate £6 million of income from the sale of unviable low demand homes.
- We will invest in new technology and will deliver more services digitally.
- We will review the allocation of resources each year, amending budgets as required and eliminating expenditure where it is no longer required. Our budget for 2016-17 incorporates £1.2 million of savings generated in 2015-16.
- We will focus on comparatively high cost areas to ensure we fully understand the reasons for these and have clear plans to reduce these costs where we can through service reviews and procurement. In particular, we will seek to understand our responsive repair, corporate service and estate management costs better.
- Fly tipping removal is costing us over £100,000 each year. We will explore a mixture of prevention and enforcement work to tackle the level of fly tipping as well as examining the costs of removal.
- We will re-procure our telephony services, which is expected to save £70,000 over the life of the contract.

Strategic Report (continued)

Risk Management

The Board has approved a robust risk management strategy and a comprehensive risk matrix. The changing nature of risks is monitored regularly throughout the year by the Audit & Risk Committee, a sub-committee of the Board, and a Risk Panel comprised of Board members, tenants and staff.

Key risks facing the association include:

- the impact of welfare and benefit reforms on the ability of the tenants to pay rent and the ability of the association to let properties;
- adapting to the changing statutory and regulatory requirements for the sector;
- the impact of the decision to leave the European Union;
- the delivery of the development programme including the Castlefield regeneration scheme;
- the exposure to sales risk as the association develops new homes for outright sale and shared ownership;
- the ability to refinance the existing loan facility arrangements;
- the recruitment and retention of board members, staff and volunteers with the skills necessary to deliver the business objectives;
- the development of the use of technology and IT systems to support the business objectives.

Capital structure and treasury policy

The association entered into a £140 million 30-year loan facility on 13 December 2011. To date the association has delivered the pre-transfer promises made to the tenants and leaseholders without requiring to draw down on this facility since transfer. The remaining facility will be used to fund the aspirations of the Board to provide new homes to the local community and to deliver its corporate objectives.

The facility is provided by The Royal Bank of Scotland plc and Santander UK plc. At 31 March 2016, £60 million had been drawn down. None of the facility is required to be repaid before April 2022. The association has loan facilities in place sufficient to deliver the planned development programme. However, during the year the association commenced a review of its current funding arrangements and will continue to explore this further during the next twelve to eighteen months in order to increase its financial capacity to deliver its objectives.

The association had cash balances of £11.2 million at 31 March 2016. The cash balances are now reducing as the association completes the delivery of the major improvement works and commences the Castlefield estate regeneration scheme. After the association has successfully delivered the sizeable investment programme as part of the transfer promises, future ongoing investment in existing homes will be funded from recurring operating income.

Strategic Report (continued)

Capital structure and treasury policy (continued)

The association only enters into interest rate swaps that are embedded within the existing funding agreement. The association's policy limits the amount of variable rate debt to a maximum of 30% of total debt. At the year-end, 100% of the association's borrowings were at fixed rates reflecting agreements entered into at the date of transfer. There will be an increase in the proportion of variable rate debt held when the business draws down future loans to fund development and when the first fixed rate agreement ends in December 2016. The interest rate strategy will continue to balance interest risk exposure and interest costs. The fixed rate borrowings incur interest rates, including margins, of a weighted average cost of 5.0%. The funding agreement has provision for a review of lenders' margins in December 2016. Independent treasury advice has confirmed that it reasonable for us to assume that there will be no increase in the margin at this date.

The association's funding agreements require compliance with a number of financial and non-financial covenants. Compliance is monitored on an on-going basis and reported to the Finance Committee and Board each quarter. The association was in compliance with its loan covenants at the balance sheet date and throughout the year and the Board expects to remain compliant in the foreseeable future.

Future Developments

Since December 2011 the priority for the association has been to deliver the promises made to its tenants and leaseholders in the transfer offer document. In conjunction with this, the association has been developing its corporate strategy. Whilst continuing to maintain and invest in its current homes, the association will now commence to build new homes for the local community. To meet the individual needs of each of our potential customers, the association will offer both rent and ownership housing options that individuals can afford. The Board remains fully committed to providing homes for rent for those for whom alternative tenures are either unavailable or unaffordable. The association will explore how to maximise the opportunities from the recent changes to government policy and housing legislation.

The Board has successfully recruited members with the skills to ensure effective management of the risks facing the business. Fundamentally for the association, the inspiration from our customers must drive our future journey and the Board will continue to seek to recruit tenants and leaseholder to support this.

Statement of compliance

In preparing this Strategic Report and Report of the Board, the Board has followed the principles set out in the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers (update) 2014.

The Board confirms that it complies with the Homes and Community Agency's Governance and Financial Viability standard. The basis of this statement is the annual self-assessment against the regulatory standards and this is underpinned by independent reviews carried out by the internal auditors during the year.

Report of the Board

The Board of Red Kite Community Housing Limited is pleased to present its report together with the audited financial statements of the association for the year ended 31 March 2016.

Principal activities, business review and future developments

Details of the association's principal activities, its performance during the year and factors likely to affect its future development are contained within the Strategic Report, which precedes this report.

Board members and executive directors

The Board members and executive directors of the association in the year are set out on pages 2 & 3.

The executive directors are the chief executive and other members of the association's executive management team. They act as executives within the authority delegated by the Board. The executive directors are employed on the same terms as other staff, their notice periods ranging from three to six months. The executive directors are eligible for membership of either the Buckinghamshire County Council Pension Fund, which is a defined benefit (final salary) pension scheme, or the Red Kite defined contribution scheme. They participate in the schemes on the same terms as all other eligible staff. The executive directors are entitled to other benefits including an allowance towards the cost of a car and health care insurance. Full details of their individual remuneration packages are included in note 11 to the audited financial statements.

Employees and involved tenants and leaseholders

Red Kite is determined to be a successful tenant-led business. The delivery of the pre-transfer promises made to tenants and leaseholders has depended on effective partnership working between employees and the large number of involved tenants and leaseholders, who volunteer their time to the business. We are a community focused housing provider and this partnership will continue to be fundamental as we deliver our revised corporate journey in the post-promises era. We are committed to providing effective training to all employees and involved tenants and leaseholders. The Board is aware of its responsibilities on all matters relating to health and safety and has adequate health and safety policies and procedures in place.

Donations

The association made no charitable or political donations during the year.

Report of the Board (continued)

Financial risk management objectives and policies

The association relies upon the availability of bank funding facilities and strong rental income streams to fund the delivery of its business plan.

The association manages exposure to interest rate fluctuations on its borrowings through the use of fixed and variable rate facilities, including interest rate swaps embedded within the loan facility agreement (details set out in note 21). The association has entered into a loan facility that provides sufficient liquidity to deliver the business plan. Additional short-term liquidity is provided by an overdraft facility of £500,000 with The Royal Bank of Scotland. Sufficient security value exists within the properties owned by the association to support the drawdown of the loan facility.

The principal long term income stream risks relate to changes in the rent formula stipulated by government to set rents and to increases in tenant arrears. The former relates not only to changes already announced for 2016-19, but possible changes for 2020 and beyond. The Board approved a revised business plan in March 2016 that has managed the impact of the reduction in rental income. In addition to the reduction in the association's income the Government announced a number of changes to reduce the cost of supporting those on low incomes through changes to housing benefit and other welfare benefit entitlement.

As the association commences the provision of new homes to its local communities, some will be for home ownership, whether outright or shared ownership sales. Sales receipts will be used to cross subsidise the provision of other tenures and a reduction or delay in receiving such income will have an adverse impact on the cash flows of the association. There are a number of drivers that create this risk and each have varying time lags before they impact the association's cash flows. The association will mitigate the impact of these risks by limiting the number of homes that are in development or are awaiting sale at any one time.

Going concern

The association's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The association has in place long-term funding facilities (including £80 million of undrawn facilities at 31 March 2016), which provide adequate resources to finance committed major improvement programmes, the regeneration of the Castlefield estate in High Wycombe and the proposed development of new homes, along with the association's day to day operations. The association also has a 30-year 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 association has adequate resources to continue in operational existence for the foreseeable future, being at least 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.

Report of the Board (continued)

Internal controls assurance

The Board acknowledges its overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the association is ongoing and has been in place throughout the period commencing 1 April 2015 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Governance Regulations, approved in January 2014 and revised in December 2015, with delegated authorities updated regularly and reported to the Finance Committee;
- Board approved terms of reference and delegated authorities for Audit & Risk, Finance and People committees;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- clear delegated authority limits for the executive team, employees and involved tenants and leaseholders;
- a sophisticated approach to treasury management which is subject to external review each year;
- regular reporting to the Board and / or appropriate committee on key business objectives, targets and outcomes;
- Board approval of an Anti-corruption and Bribery Act policy and People Committee approval of a whistle-blowing policy. A fraud register is maintained and is reviewed by the Audit & Risk Committee on a bi-monthly basis;
- regular monitoring of loan covenants and loan facilities; and
- a comprehensive programme of internal audit reviews, conducted by an independent audit firm, with all review findings reported to the Audit & Risk Committee and implementation of recommendations monitored bi-monthly. No major weaknesses were reported during the year.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit & Risk Committee to review the effectiveness of the system of internal control. The Board receives Audit & Risk Committee reports and meeting minutes. The Audit & Risk Committee has received the chief executive's annual review of the effectiveness of the system of internal control for the association and the annual report of the internal auditor and has reported its findings to the Board.

Report of the Board (continued)

Code of Governance

The association adopted the revised 2015 National Housing Federation (NHF) Code of Governance in March 2015. The Code states (paragraph A2) that the Rules of the association take precedent over the Code where there is a conflict between the two. There are two areas where the Rules took precedence over the Code at 31 March 2016:

> B4: the Code states that the size of the Board should be 5 to 12 members, including co-optees. The Rules at 31 March 2016 provided for 15, plus an unlimited number of co-optees;
>
> D7: The Code requires that all Board members undergo a selection process. At present, this does not apply to nominees provided by Wycombe District Council;

At a Special General Meeting in June 2016 the shareholding Members of the association agreed new Rules that now comply with the Code except for:

> D7: The Code requires that all Board members undergo a selection process. At present, this does not apply to nominees provided by Wycombe District Council;

A further revision to the Rules will be proposed after the transfer promises have been fully delivered, which will bring the Rules into alignment with the Code. Until such time, a protocol for the nomination of Board members by Wycombe District Council is being discussed.

The Board has prepared a comprehensive skills matrix for Board Members and monitors this to ensure that the Board collectively has the skills needed for effective governance of the business.

The Board has adopted a clear Code of Conduct that governs its behaviour and probity.

Statement of the responsibilities of the Board for the report and financial statements

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with Financial Reporting Standard 102. Under the Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the association for that period. In preparing these financial statements, the Board are required to:

Report of the Board (continued)

Statement of the responsibilities of the Board for the report and financial statements (continued)

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2014, 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 accounting records which disclose with reasonable accuracy at any time the financial position of the association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. It is also responsible for safeguarding the assets of the association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Insofar as each of the Board members is aware:

- there is no relevant audit information of which the association's auditors are unaware; and
- the Board have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board are responsible for the maintenance and integrity of the corporate and financial information included on the association's website.

Annual general meeting

The annual general meeting will be held on 14 September 2016 at Windsor Court, Frederick Place, High Wycombe, HP11 1JU.

External auditor

A resolution to re-appoint Grant Thornton UK LLP will be proposed at the forthcoming annual general meeting.

The report of the Board was approved by the Board on 20 July 2016 and signed on its behalf by:

Jennie Ferrigno BEM
Chairman

Independent auditor's report to the members of Red Kite Community Housing Limited

We have audited the financial statements of Red Kite Community Housing Limited for the year ended 31 March 2016 which comprise the statement of comprehensive income, the statement of changes in reserves, the statement of financial position, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

Respective responsibilities of the board and the auditor

As explained more fully in the statement of the responsibilities of the Board set out on pages 26 and 27, the 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 of the state of the society's affairs as at 31 March 2016 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance 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.

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:

Independent auditor's report to the members of Red Kite Community Housing Limited (continued)

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

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Statement of Comprehensive Income

	Note	2016	2015
		£'000	£'000
Turnover	3	36,343	35,530
Operating costs	3	(26,662)	(26,052)
Operating surplus	3	9,681	9,478
Gain on disposal of property	4	637	1,130
Interest receivable and other income	7	67	145
Interest payable and similar charges	8	(4,268)	(4,257)
Movement in fair value of financial instruments	20	(428)	(3,973)
Movement in fair value of investment properties	13	98	14
Surplus on ordinary activities before taxation		5,787	2,537
Tax on surplus on ordinary activities	25	-	-
Surplus for the financial year		5,787	2,537
Actuarial gain / (loss) in respect of pension schemes	10	1,158	(1,525)
Other comprehensive income		8	40
Total comprehensive income for the year		6,953	1,052

The association's activities relate wholly to continuing activities.

The accompanying notes form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the Statement of Comprehensive Income.

The financial statements were approved by the Board of Directors on 20 July 2016

Jennie Ferrigno BEM	**Justin Bootland**	**Neil Venables**
Chairman	**Vice chairman**	**Secretary**

Statement of Changes in Reserves

	Income & expenditure reserve £'000	Restricted reserve £'000	Revaluation reserve £'000	Total £'000
Balances at 1 April 2014	31,424	186	(184)	31,426
Total comprehensive income for the year	1,052	-	-	1,052
Transfer of restricted expenditure from unrestricted reserve	(40)	40	-	-
Balance at 31 March 2015	32,436	226	(184)	32,478
Total comprehensive income for the year	6,953	-	-	6,953
Transfer of restricted expenditure from unrestricted reserve	(8)	8	-	-
Balance at 31 March 2016	39,381	234	(184)	39,431

Further details of the revaluation reserve are contained in note 31

Statement of Financial Position

	Note	2016 £'000	2015 £'000
Fixed Assets			
Intangible assets			
Negative goodwill	9	(38,187)	(40,206)
Tangible assets			
Housing properties	12	166,306	158,006
Investment properties	13	4,085	3,987
Other tangible fixed assets	14	890	1,074
		171,281	163,067
Current assets			
Debtors	15	3,315	4,063
Properties held for sale	16	911	-
Cash at bank and in hand		11,197	16,202
		15,423	20,265
Creditors: amounts falling due within one year	17	(10,395)	(10,860)
Net current assets		5,028	9,405
Total assets less current liabilities		138,122	132,266
Creditors: amounts falling due after more than one year	18	(92,870)	(92,877)
Net pension liability	10	(5,793)	(6,883)
Provisions for liabilities	19	(28)	(28)
Total net assets		**39,431**	**32,478**
Reserves			
Restricted reserves		234	226
Revaluation reserve		(184)	(184)
Income & expenditure reserve		39,381	32,436
Total reserves		**39,431**	**32,478**

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors on 20 July 2016.

Jennie Ferrigno BEM	**Justin Bootland**	**Neil Venables**
Chairman	**Vice chairman**	**Secretary**

Statement of Cash flows

	Note	2016	2015
		£'000	£'000
Net cash generated from operating activities	23	10,074	12,275
Cash flow from investing activities			
Purchase of and improvements to housing properties	12	(11,984)	(14,463)
Purchase of other fixed assets	14	(313)	(230)
Sale of housing properties		1,094	1,692
Interest received		67	145
Cash flow from financing activities			
Interest paid		(3,943)	(3,926)
Other financing received		-	3,149
Net change in cash and cash equivalents		(5,005)	(1,358)
Cash and cash equivalents at beginning of the year		16,202	17,560
Cash and cash equivalents at the end of the year		11,197	16,202

The accompanying notes form part of these financial statements.

Notes to the financial statements

The accompanying notes form part of these financial statements.

1. Legal status-

The association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider.

2. Accounting policies

Basis of Accounting-

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

This is the first year in which the financial statements have been prepared under FRS102. Note 30 provides for an explanation of the transition and impact on the financial statements. The financial statements are presented in Sterling (£)

The financial statements are prepared on the historical cost accounting basis.

Going Concern

The Board have reviewed the forecasts for the foreseeable future and have determined that the association has sufficient financial resources based on these forecasts and current expectations of future sector conditions to meet its liabilities as they fall due. As a consequence, the Board believes that the association is well placed to manage their business risks successfully despite the current government policies on housing and welfare benefits and the general economic uncertainties.

The Board has a reasonable expectation that the association 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 finance statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover comprises rental income and service charges receivable in the year, other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Charges for supported services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities. Charges for support services not funded by Supporting People are shown within 'Services' costs.

2. Accounting policies (continued)

Restricted Reserves

The association manages leasehold schemes where, under the terms of the lease, a proportion of proceeds from any sales of the properties must be retained and used to fund future major repair costs that may arise. These contributions are allocated directly to the restricted reserves, their use being limited to expenditure set out in the relevant lease contracts. Relevant expenditure is accounted for in accordance with the accounting policy for expenditure incurred on housing properties and an equivalent sum released from restricted reserves.

Fixed Assets and Depreciation

Fixed assets, excluding housing properties, are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected remaining economic useful lives of the assets as follows:

Category	**Years**
Motor Vehicles	5
Office and estate equipment and furniture	5
Leaseholder office improvements	5
ICT infrastructure, hardware and software	5 – 7

Only items with a cost in excess of £5,000 are capitalised. The useful economic lives of all tangible fixed assets are reviewed annually. A full year depreciation is charged in the year of acquisition and none in the year of disposal.

Housing Properties

Housing properties are homes held for the provision of social housing or otherwise provide social benefit.

The properties classified as general needs housing have a historical cost equal to their fair value at transfer and are stated at fair value less accumulated depreciation. The properties classified as sheltered and housing for older people have a deemed cost based on a valuation as at 1 April 2014 less accumulated depreciation.

Additions to the housing properties are stated at cost. This includes the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements. The association has adopted component accounting.

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.

Other expenditure incurred on major repairs, cyclical or void day to day repairs to housing properties is charged to the income and expenditure account in the period in which it is incurred.

2. Accounting policies (continued)

The association depreciates the major components of its housing properties at the following annual rates on a straight line basis:

Category	**Years**
Structure of Building	50
Kitchens	25
Bathrooms	30
Heating Systems	12
Windows	30
Roofs	50
Lifts	30
Guttering & Fascias	20

Social housing property depreciation is charged on the cost, including the cost of components, excluding freehold land, which is not depreciated.

Housing properties, including those with individual components, are subject to impairment reviews annually. Where there is evidence of impairment, housing properties are written down to their recoverable amount, being the higher of the net realisable value or the value in use.

Donated land is included in cost at its valuation on donation, with the donation treated as a capital grant.

Housing properties in the course of construction are stated and are not depreciated. Housing properties are transferred to completed properties on practical completion. The cost of rebuilding properties which have been demolished is capitalised in full where there is no indication of impairment.

Investment properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. The association's existing investment properties have been valued as at April 2014 with the annual movement being allocated to the revaluation account. These are re-valued annually with any changes in fair value recognised in the statement of comprehensive income.

Social Housing Grant (SHG)

Social Housing Grant (SHG) is receivable from the Homes & Communities Agency (HCA) and is utilised to reduce the capital costs of housing properties, including land costs. SHG received for the association's homes is recognised in income over the useful life of the structure of the property that it relates to and, where applicable, its individual components (excluding land) under the accruals model.

2. Accounting policies (continued)

SHG due from the HCA or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

SHG is subordinated to the repayment of loans by the agreement with the HCA. SHG released by the sale of property may be repayable but is normally available to be recycled and is credited to the recycled capital grant fund and included in the statement of financial position in the 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 year of disposal.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the statement of comprehensive income. Where components are disposed of as part of the associated home the grant is recycled.

Other Grants

Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Operating leases

Rentals payable under operating leases are charged to the income and expenditure account on a straight line basis over the lease term.

Properties Held for Resale

Where a decision has been taken to dispose of housing properties, these are held on the Statement of Financial Position under current assets. These properties are held at the lower of historical cost less depreciation, or net realisable value.

Loan Issue Costs

Issue costs of long term finance are deducted from the amount drawn down. The cost of raising finance is amortised over the period of the loan facility.

Right to Buy

Proceeds from the sale of dwellings under Right to Buy are received by the association in the first instance. For sales since December 2013, a sum that is equal to the net present value of income foregone is retained by the association with the balance payable to Wycombe District Council.

2. Accounting policies (continued)

Bad and Doubtful Debts

Provision is made against rent arrears of current and former tenants and miscellaneous debtors. This is based on an estimate of amount of the debt likely to be recovered.

Pension Costs

The association participates in one defined benefits scheme and one defined contributions scheme. The cost of providing retirement pensions and related benefits is accounted for in accordance with FRS 102.

The Local Government Pension Scheme is administered by Buckinghamshire County Council and is independent of the association's finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the scheme to meet the benefits accruing in respect of current and future service. Pension scheme assets are measured using fair value.

Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method and discounted at the appropriate high quality corporate bond rates of equivalent term and currency to the liability. 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 association 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. Re-measurements are reported in other comprehensive income

The employer contributions for both schemes are recognised in the accounting periods in which the benefits are earned.

There is no liability for the association for the defined contributions scheme other than the employer contributions due.

Value Added Tax ('VAT')

The association is registered for VAT but a large proportion of its income, including its rents, is exempt for VAT purposes.

The qualifying expenditure under the VAT Shelter is shown net of the recoverable VAT, whilst the majority of other expenditure is subject to VAT that cannot be reclaimed and is shown inclusive of the irrecoverable VAT.

The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

2. Accounting policies (continued)

Taxation

The association is recognised by HM Revenue and Customs as a charitable Registered Society and consequently has no liability to Corporation Tax in the period.

Development Agreement

The association entered into a Development Agreement with Wycombe District Council to undertake a complete cycle of refurbishment works to the housing stock that was to be transferred.

Under FRS102 the obligations of Wycombe District Council and the association under the Development Agreement should be disclosed in the statement of financial position. However, the substance of whole transaction means that the assets and liabilities will always be matched and be the same. Therefore, the association recognises no assets or obligations are to be disclosed. Both are amortised over fifteen years.

With the approval of HM Revenue and Customs the VAT incurred on the qualifying expenditure can be recovered under a VAT Shelter agreement.

Under the Transfer Agreement the first tranche of VAT savings is retained by the association. Savings in excess of this are shared equally between the association and Wycombe District Council.

Capitalisation of Administration Costs

Administration costs relating to development activities are capitalised to the extent that they are part of the development process and directly attributable to bringing the properties into their intended use.

Capitalisation of Interest Costs

Interest costs relating to the construction and acquisition of fixed assets are capitalised to the extent that they are incremental to the process and directly attributable to bringing the assets into their intended use. Other interest payable is charged to the income and expenditure account in the period in which the liability is incurred.

Negative Goodwill

Negative goodwill arises when the fair value of acquired assets exceeds the consideration given. Negative goodwill arising from the acquisition of properties is released to the income and expenditure account over thirty years. Debtors acquired are included at an estimate of their provisional fair value.

2. Accounting policies (continued)

Impairment

From 1 April 2016, the association has reduced social housing rents by one per cent per annum and will continue to do so in each year until March 2020 in accordance with the Housing and Planning Act 2016. Compliance with the rent regulations has resulted in a loss of net income for social rent homes. This is a trigger for impairment.

As a result, the association estimate the recoverable amount of its homes as follows:

(a) Determined the level at which the recoverable amount will be assed. This could be the asset level or cash generating unit level (CGU level). The CGU level was determined to be an individual scheme
(b) Estimated the recoverable amount of each scheme
(c) Calculated the carrying amount of each scheme
(d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, the association calculates the Depreciated Replacement Cost of each home, using appropriate construction costs and land prices. Comparing this to the carrying amount of each scheme, the association has made no impairment charge for the year.

Financial instruments

In accordance with FRS102, the association classifies financial instruments as either basic or non-basic. Basic financial instruments are recognised at amortised historical cost. Non-basic financial instruments are recognised at their fair value using an accepted valuation technique applied by an independent treasury advisor. At the end of each year, non-basic financial instruments are revalued to their fair value, with any gains or losses being reported in the statement of comprehensive income. Gains or losses can arise from one or both of two calculations:

> The association's fixed rate interest agreements allow the association the option to terminate these in advance of the expiry date. Dependent on the LIBOR rates on the date of termination compared to the fixed rates in the interest agreement, a payment could be made by the association to the lenders or vice versa.
>
> The association's loan agreement contains a clause that allows the lenders at December 2016 and then at every fifth anniversary the option to re-price the lenders' margin. As the result, the association's loans are non-basic and held at fair value.

3. Analysis of income and expenditure

Particulars of turnover, cost of sales, operating costs and operating surplus

	Turnover	2016 Operating Costs	Operating Surplus / (Deficit)
	£000	£000	£000
Social housing lettings	34,670	(24,441)	10,229
Other social housing activities			
Supporting people	312	(887)	(575)
Non-social housing activities			
Lettings from garages and shops	719	(581)	138
Other	642	(753)	(111)
Total activities	36,343	(26,662)	9,681

	Turnover	2015 Operating Costs	Operating Surplus / (Deficit)
	£000	£000	£000
Social housing lettings	33,762	(24,470)	9,292
Other social housing activities			
Supporting people	426	(768)	(342)
Non-social housing activities			
Lettings from garages and shops	686	(239)	447
Other	656	(575)	81
Total activities	35,530	(26,052)	9,478

3. Analysis of income and expenditure (continued)

Particulars of income and expenditure from social housing lettings

	General needs	Sheltered	2016 Total	2015 Total
INCOME	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	23,758	9,023	32,781	32,029
Service charges	255	1,259	1,514	1,356
Amortised government grant	375	-	375	377
Turnover from social housing lettings	24,388	10,282	34,670	33,762
EXPENDITURE				
Management costs	(4,548)	(2,221)	(6,769)	(6,186)
Service costs	(722)	(1,088)	(1,810)	(1,862)
Routine maintenance	(1,960)	(1,062)	(3,022)	(2,875)
Planned maintenance	(1,377)	(877)	(2,254)	(2,175)
Major repairs and improvements	(6,429)	(3,886)	(10,315)	(10,651)
Bad debts	(55)	(32)	(87)	(150)
Depreciation of housing properties	(1,165)	(524)	(1,689)	(1,392)
Amortisation of negative goodwill	1,038	467	1,505	821
Operating costs on social housing lettings	(15,218)	(9,223)	(24,441)	(24,470)
Operating surplus on social housing lettings	9,170	1,059	10,229	9,292
Void losses	148	290	438	660

4. Surplus on the sale of housing properties

	2016	2015
	£000	£000
Sale proceeds	3,752	4,647
Cost of disposals	(810)	(1,052)
Payment to Wycombe District Council	(2,628)	(2,955)
Grant released on disposal	124	194
Negative goodwill released on disposal	199	296
	637	1,130

5. Accommodation in management

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

	2016	2015
	No.	No.
Social Housing		
General needs housing	4,070	4,090
Sheltered housing and housing for older people	1,841	1,854
Total social housing owned	5,911	5,944
Housing managed for others	-	-
Total social housing managed	5,911	5,944
Leasehold properties	633	632
Shared equity properties	7	7
Commercial properties	20	20
Total housing owned and managed	6,571	6,603

There were no properties in development at the year end.

6. Operating surplus

The operating surplus is arrived at after charging:

	2016	2015
	£'000	£'000
Depreciation – housing properties	1,689	1,392
Depreciation – other tangible fixed assets	459	418
Amortisation of negative goodwill	1,505	821
Operating lease rentals		
Building	288	242
Equipment	6	5
Auditor's remuneration (excluding VAT):		
Fees payable for the audit of the financial statements	25	20
Tax advice	-	2
Other	1	1

7. Interest receivable and other income

	2016	2015
	£'000	£'000
Interest receivable and similar income	67	145

8. Interest payable and similar charges

	2016	2015
	£'000	£'000
Loans and bank overdrafts	3,979	3,966
Defined benefit pension charge	227	229
Amortisation of loan issue costs	62	62
	4,268	4,257

9. Negative goodwill

The stock transfer from Wycombe District Council in December 2011 has been treated as an acquisition of an equity business in accordance with SORP 2014 and FRS102. All assets and liabilities were stated at their fair value on acquisition which resulted in a material level of negative goodwill. This is to be amortised over a period of thirty years.

Costs	2016
	£'000
At 1 April 2015	(43,030)
Properties held for sale	362
Released	199
At 31 March 2016	(42,469)
Amortisation	
At 1 April 2015	2,824
Properties held for sale	(36)
Released	(11)
Annual charge	1,505
At 31 March 2016	4,282
Net book value after amortisation	
At 31 March 2016	(38,187)
At 31 March 2015	(40,206)

10. Employees

Average monthly number of employees (expressed as full time equivalents calculated based on a standard working week of 37 hours):

	2016 No.	2015 No.
Housing management	66	70
Property management	25	24
Central administration	45	40
	136	134

Employee costs:

	2016 £'000	2015 £'000
Wages and salaries	4,672	4,305
Social security costs	469	411
Other pension costs	391	393
	5,532	5,109

Employees, other than the executive management team (see note 11), with remuneration in excess of £60,000 during the year.

	2016 No.	2015 No.
£60,000 to £70,000	5	4
£70,000 to £80,000	3	-
	8	4

The association's employees are entitled to membership of either the Buckinghamshire County Council Pension Fund (BCCPF) or the Red Kite Defined Contribution Scheme

Red Kite Defined Contribution Pension

The association operates a defined contribution scheme that is administrated by Now Pensions. For the whole financial year employees can choose their level of contribution as follows:

	Employee Contribution	Employer Contribution
Auto-enrolment	1%	3%
Lower threshold	3%	8%
Higher threshold	4%	10%

Total employer contributions for the defined contribution schemes for period ended 31 March 2016 were £188,516 (2015: £146,200).

10. Employees (continued)

Buckinghamshire County Council Pension Fund (BCCPF):

The BCCPF is a multi-employer scheme, administered by Buckinghamshire County 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 2013 and rolled forward, allowing for the different financial assumptions required under FRS 102, to 31 March 2016 by a qualified independent actuary.

The employer's contributions to the BCCPF by the association for the period ended 31 March 2016 were £248,000 (2015: £339,000) at a contribution rate of 16.7% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2017 has been set at 16.7% for the current service cost and a payment of £43,000 towards the deficit.

Estimated employers' contributions to the BCCPF during the accounting period commencing 1 April 2016 are £264,000

The scheme has 79 active members and is closed to new members.

Financial assumptions:

	As at 31 March 2016 %	As at 31 March 2015 %
Discount rate	3.8	3.4
Future salary increases	4.3	4.3
Future pension increases	2.5	2.5
Inflation assumption (CPI)	2.5	2.5
Inflation assumption (RPI)	3.4	3.3

Mortality assumptions:

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2016 are based on the S1PA tables with a multiplier of 90%. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5%. The assumed life expectations on retirement at age 65 are:

	2016 No. of years	2015 No. of years
Retiring today:		
Males	23.8	23.7
Females	26.2	26.1
Retiring in 20 years:		
Males	26.1	26.0
Female	28.5	28.4

10. Employees (continued)

Expected return on assets

For accounting years beginning on or after 1 January 2015, the expected rate of return and the interest cost has been replaced by a single net interest costs, which effectively sets the expected return equal to the discount rate

Analysis of the amount charged to Statement of Comprehensive Income:

	2016	2015
	£'000	£'000
Current service costs	427	392
Amount charged to operating costs	427	490
Net Interest	(227)	(229)
Amount charged to other finance costs	(227)	(229)

The losses on curtailments and settlements in 2016 were £4,500 (2015: £34,000)

Amounts recognised in the surplus (Statement of Comprehensive Income)

	2016	2015
	£'000	£'000
Re-measurement of net asset / (defined liability)	1,158	(1,525)

Amounts recognised in the Statement of Financial Position:

	As at 31 March 2016	As at 31 March 2015
	£'000	£'000
Present value of funded obligations	(16,812)	(18,430)
Fair value of scheme assets (bid value)	11,019	11,547
Net liability recognised in the statement of financial position	(5,793)	(6,883)

10. Employees (continued)

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

	2016	2015
	£'000	£'000
Opening defined benefits obligations	(18,430)	(15,236)
Current service cost	(427)	(392)
Interest cost	(615)	(690)
Change in financial assumptions	1,339	(2,330)
Liabilities assumed / (extinguished) on settlements	972	(-)
Estimated benefits paid in net of transfers in	444	360
Past service cost, including curtailments	(4)	(34)
Contributions by scheme participants	(91)	(108)
Closing defined benefit obligation	(16,812)	(18,430)

Reconciliation of opening and closing balances of the present value of scheme assets:

	2016	2015
	£'000	£'000
Opening fair value of scheme assets	11,548	10,202
Interest on assets	388	461
Return on assets less interest	(181)	805
Administration expenses	(9)	(8)
Contributions by employer	248	339
Contributions by scheme participants	91	108
Estimated benefits paid net of transfers in and including unfunded	(444)	(360)
Settlement prices received / (paid)	(622)	(-)
Closing fair value of scheme assets	11,019	11,547

	2016	2015
	£'000	£'000
Actual return on scheme assets	207	1,258

10. Employees (continued)

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

	2016	2015
	%	%
Equities	54	55
Gilts	12	12
Other bonds	13	13
Properties	9	9
Cash	3	2
Alternative assets	1	1
Hedge Funds	4	4
Absolute Return Portfolio	4	4

Sensitivity analysis:

	£'000	£'000	£'000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of total obligation	16,470	16,812	17,162
Projected service cost	378	386	394
Adjustment to mortality age rating assumption	+1 year	None	-1 year
Present value of total obligation	17,292	16,812	16,346
Projected service cost	396	386	376
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	16,873	16,812	16,751
Projected service cost	386	386	386
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	17,105	16,812	16,751
Projected service cost	386	386	386

11. Board members and executive directors

Board members:

None of the Board members received any emoluments. Reimbursement for expenses incurred in the performance of their duties as Board members totalling £386(2015: £567) was made in the period.

11. Board members and executive directors (continued)

Executive directors:

	£ Basic salary	£ Other benefits	£ Pension costs	2016 £ Total	2015 £ Total
Chief Executive:					
Trevor Morrow	124,748	8,503	20,541	153,792	148,667
Resources Director:					
Neil Venables	98,391	6,110	9,739	114,240	109,975
Operations Director:					
Alan Keers	97,391	5,703	9,739	112,833	111,599
	320,530	20,316	40,019	380,865	370,241

The emoluments of the highest paid director during the year excluding pension contributions and other costs were £124,748 (2014: £121,540).

The Chief Executive is a member of the Local Government Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The association does not make any further contribution to an individual pension arrangement for the Chief Executive.

12. Tangible fixed assets – properties

Social housing properties held for letting

	£'000
Cost:	
At 1 April 2015	160,857
Additions	994
Works to existing properties	10,990
Properties held for sale	(1,243)
Disposals	(769)
At 31 March 2016	170,829
Depreciation:	
At 1 April 2015	2,851
Released on disposal	(11)
Properties held for sale	(6)
Depreciation charge in the year	1,689
At 31 March 2016	4,523
Net book value after depreciation	
31 March 2016	166,306
31 March 2015	158,006

All properties are held freehold. No interest has been capitalised in the period.

12. Tangible fixed assets – properties (continued)

Expenditure on works to existing properties:

	2016	2015
	£'000	£'000
Components capitalised	10,990	13,326
Amounts charged to Statement of Comprehensive Income	10,315	10,651
	21,305	23,977

13. Investment properties- non social housing properties held for letting

	2016
	£'000
At 1 April 2015	3,987
Additions	-
Increase in value	98
At 31 March 2016	4,085

Investment properties relate to shops and garages that are not let as part of a tenancy agreement.

Investment properties were valued as at 31 March 2016 and have been valued by Savills, professional external valuers. The full valuation of properties was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Charted Surveyors as follows:

In valuing investment properties, a discounted cash flow methodology was adopted with key assumptions:

	Garages	Commercial Shops
Discount	11%	6% to 10%
Annual inflation rate, after first two years	2%	0%
Level of long term annual rent increase	2%	0%

The discount factor for the commercial shops varies per location reflecting on the level demand

14. Tangible fixed assets- other

	IT & Infra-structure £'000	Furniture £'000	Office accommodation improvements £'000	Total £'000
Cost				
At 1 April 2015	1,300	291	660	2,251
Additions	304	9	-	313
Disposals	(68)	-	-	(68)
At 31 March 2016	1,536	300	660	2,496
Depreciation				
At 1 April 2015	629	152	396	1,177
Released on disposal	(30)	-	-	(30)
Charged in year	267	60	132	459
At 31 March 2016	866	212	528	1,606
Net book value				
31 March 2016	670	88	132	890
31 March 2015	671	139	264	1,074

None of the above are owned under finance leases.

15. Debtors

	2016 £'000	2015 £'000
Rent and service charges receivable	1,576	1,558
Less: Provision for bad and doubtful debts	(940)	(855)
	636	703
VAT recoverable	380	2,057
Prepayments and accrued income	1,408	1,089
Other debtors	891	214
	3,315	4,063

16. Properties held for sale

	2016 £'000	2015 £'000
Properties held for resale	911	-

17. Creditors: amounts falling due within one year

	2016	2015
	£'000	£'000
Trade creditors	4,306	4,371
Rent and service charges received in advance	801	686
Leaseholder balances	-	6
Payments due under the transfer agreement	2,628	2,955
Accruals and deferred income	2,155	2,250
Other taxation and social security	123	123
Other creditors	382	469
	10,395	10,860

Payments due under the transfer agreement between the association and Wycombe District Council relate to monies due in relation to the sharing of Right to Buy sales receipts.

Accruals and deferred income contains deferred income of £376,000 relating to grants at the time of transfer (2015: £378,000)

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

	2016	2015
	£'000	£'000
Debt (note 20)	64,008	63,518
Payments due under the transfer agreement	12,088	12,088
Deferred income	16,774	17,271
	92,870	92,877

Payments due under the transfer agreement between the association and Wycombe District Council relate to monies due in relation to the VAT Shelter agreement.

Deferred income relates to grants at the time of transfer

19. Provisions

	2016	2015
	£'000	£'000
Leave pay	28	28
	28	28

The leave pay provision represents holiday balances accrued as a result of services rendered in the current period and which the employees are entitled to carry forward. The provision is measured as the salary cost payable for the period of absence.

20. Debt analysis

	2016	2015
	£'000	£'000
Bank loans	60,000	60,000
Financial instruments fair value adjustment	5,591	5,163
Loan issue costs	(1,583)	(1,645)
	64,008	63,518

All debt is repayable in five years or more.

Financial instruments fair value adjustment

	2016	2015
	£'000	£'000
At 1 April	5,163	1,190
Fair value adjustment for the year	428	3,973
At 31 March	5,591	5,163

21. Terms of repayment and interest rates

The bank loans are repayable in accordance with the repayment profile set out in the latest approved 30-year business plan.

	2016	2015
	£'000	£'000
Within one year or on demand	-	-
One year or more but less than two years	-	-
Two years or more but less than five years	-	-
Five years or more	60,000	60,000
	60,000	60,000

The first repayment is due in 2022-23 and the last in 2034-35

At 31 March 2016 the association had undrawn committed loan facilities of £80 million. The facilities are secured by a fixed charge over 5,903 of the association's properties.

Interest rate exposure on borrowings is managed using a mix of fixed and floating rate arrangements available within the loan facilities as follows:

	2016	2015
	£'000	£'000
Fixed rate	60,000	60,000
Floating rate	-	-
	60,000	60,000

The association has not entered into any derivatives or financial instruments outside of the committed loan facilities. The fixed rate financial liabilities have a weighted average interest rate of 5.0% (2015: 5.0%) and the weighted average period for which they are fixed is 6 years (2015: 7 years). There were no floating rate financial liabilities during the period (2015: none).

22. Share Capital

Membership comprises tenants and resident leaseholders plus Wycombe District Council. Each member holds one share with a value of £1. The shares provide members with the right to vote at general meetings, but do not provide any right to dividends or distribution on the winding up of the association.

	2016	2015
	No.	No.
Members at beginning of period	658	549
Number of members joining during the year	82	109
Number of members at end of period	740	658

23. Cash flow from operating activities

	2016	2015
	£'000	£'000
Surplus on ordinary activities	5,787	2,537
Adjustments for non-cash items		
Depreciation of tangible fixed assets	2,148	1,810
Amortisation of negative goodwill	(1,505)	(821)
Amortisation of grant	(375)	(377)
Release of grant on sale	(124)	(194)
Defined benefit pension costs	(158)	53
Decrease in debtors	746	(1,636)
Decrease in creditors	(463)	3,768
Carrying amounts of tangible fixed asset disposals	583	721
Fair value adjustments	330	3,959
	6,969	9,820
Adjustments for investing or financial activities		
Interest payable	4,268	4,257
Interest receivable	(67)	(145)
Net proceeds from the sale of tangible fixed assets	(1,096)	(1,657)
Net cash inflow from operating activities	10,074	12,275

24. Capital commitments

	2016	2015
	£'000	£'000
Expenditure contracted but not provided for in the accounts	5,919	12,302
Expenditure authorised by the Board but not contracted	13,755	12,469
	19,674	24,771

The above commitments will be financed through utilising the committed loan facilities, which are available for draw-down under existing loan arrangements.

25. Tax on surplus on ordinary activities

The association has charitable status with HMRC and is not liable for Corporation Tax on its ordinary activities. No taxable activities have occurred during the period.

26. Development Agreement

The association entered into a Development Agreement with Wycombe District Council on 13 December 2011 under which the association is committed to carry out improvements to the properties acquired from the Council over the following 15 years. The total value of the commitment over the 15 years is £227,336,000. An invoice for the same sum has been issued by the association to Wycombe District Council. The debtor and the liability have been netted off in the accounts and are not shown as separate items.

As at 31 March 2016, improvements to a value of £51 million (2014: £34 million) had been completed under the Development Agreement. The remaining liability at 31 March 2016 is £176 million (2014: £193 million).

27 Contingent assets / liabilities

At 31 March 2016 the association had a contingent asset of £749,000. This relates to a warranty claim by the association against Wycombe District Council under the terms of the transfer agreement. Subsequent to the year-end a Deed of Settlement was entered into between the association and Wycombe District Council for the full amount of the contingent asset.

28. Leasing commitments

The future minimum lease payments are set out as below. The leases relate to the office at Windsor Court and to office equipment.

		2016		2015
	Land and Buildings £'000	Office equipment and computers £'000	Land and Buildings £'000	Office equipment and computers £'000
Cost				
In one year or less	306	16	306	5
Between one and five years	1,224	26	1,224	-
In five years or more	178	-	484	-
	1,708	42	2,014	5

The lease for the office at Windsor Court commenced in November 2012 and is for a period of ten years. There is an option to terminate this at the fifth anniversary. The Board has taken no decision to exercise this option and has included the costs for the full period of the lease.

29. Related parties

During the year there were four tenants who were members of the Board: Jennie Ferrigno, Sheelagh Jones, Jean Teesdale and Jonathan Walton. Their tenancies are on normal commercial terms and they are not able to use their position to their advantage. During the year Jennie Ferrigno purchased her home under her preserved right to buy (as per the Housing Act 1985). The purchase was made in accordance with the statutory provisions of the preserved right to buy.

During the year there was one resident leaseholder member of the Board, Hazel Chandler. The lease is on normal commercial terms and she was not able to use her position for her advantage.

Three members of the Board during the period, Ian McEnnis, Jean Teesdale and Suzanne Brown are councillors with Wycombe District Council. The local authority has a proportion of the nomination rights over tenancies. All transactions with the Council are on normal commercial terms and the Board members nominated by the Council are not able to use their position to their advantage.

The total value of related party transactions during the year was £241,983 (2015: £22,451).

30. FRS102 and prior year adjustments

Restated statement of financial position

	31 March 2015 £'000	1 April 2014 £'000
Original revenue reserves	26,909	22,569
FRS102 adjustments		
Release of grant	9,406	9,406
Movement in fair value of financial instruments	(1,190)	(1,190)
Changes in accounting policies due to the introduction of FRS102		
Longer amortisation period of loan fees	708	708
Longer amortisation period of rent free period on the office lease	(69)	(69)
Re-measurement of pension liability	205	-
Restatement of surplus for the year ended 31 March 2015	(3,533)	-
Restated revenue reserve	32,436	31,424

30. FRS102 and prior year adjustments (continued)

The following narrative provides further clarification of the changes to the statement of financial position:

Release of grant
The release of government grant for the sheltered and aged persons' homes following the adoption of deemed cost at 1 April 2014

Movement in the fair value of financial instruments
The association's loan agreement contains a clause that allows the lenders at December 2016 and then at every fifth anniversary the option to re-price the lenders' margin. As the result, the association's loans are non-basic. Non-basic financial instruments are recognised at their fair value using an accepted valuation technique applied by an independent treasury advisor.

Longer amortisation period of loan fees
The loan fees were amortised over the first five years. This period has changed to thirty years.

Longer amortisation period of rent free period on the office lease
The rent free period was allocated to the first five years of the lease. It is now allocated over the full ten years.

Re-measurement of pension liability
Impact of the changes in the treatment of the defined benefit scheme under FRS102

Restatement of surplus for the year ended 31 March 2015
Change in the reported figure as the result of restating of the previous reported performance, as detailed below

Restated surplus for the year ending 31 March 2015

	£'000
Original surplus on ordinary activities before tax	6,070
Mandatory FRS102 adjustments	
Finance cost on defined benefit pension scheme	(197)
Current service cost on defined benefit pension scheme	(8)
Annual leave holiday provision	(28)
Amortisation of grant income	377
Movement in fair value of financial instruments	(3,973)
Movement in the fair value of the investment properties	14
Discretionary changes in accounting policies due to the introduction of FRS102	
Longer amortisation period of loan fees	309
Longer amortisation period of rent free period on the office lease	(27)
Restatement of surplus for the year ended 31 March 2015	(3,533)
Restated surplus for the financial year	2,537

30. FRS102 and prior year adjustments (continued)

The following narrative provides further clarification of the changes to the surplus:

Finance cost on defined benefit pension scheme
Additional interest cost relating to the defined benefits pension scheme.

Current service cost on defined benefit pension scheme
Additional cost of current service costs for the local government pension scheme

Annual leave holiday provision
Provision for holiday leave accrued but not yet exercised.

Amortisation of grant income
Additional income relating to the amortisation of the government grant

Movement in the fair value of financial instruments
Non-basic financial instruments are recognised at their fair value using an accepted valuation technique applied by an independent treasury advisor.

Movement in the fair value of the investment properties
Increase in the fair value of the investment properties

Longer amortisation period of loan fees
The loan fees were amortised over the first five years. This period has changed to thirty years.

Longer amortisation period of rent free period on the office lease
The rent free period was allocated to the first five years of the lease. It is now allocated over the full ten years.

31. Revaluation reserve

The revaluation reserve relates to accounting adjustments made on the introduction of FRS102.

	2016	2015
	£'000	£'000
Deemed cost adjustment of sheltered and aged persons homes	4,158	4,158
Fair value adjustment of investment properties	(3,974)	(3,974)
	184	184

32. Categories of financial assets and liabilities

	2016	2015
	£'000	£'000
Financial liabilities measured at fair value through surplus or deficit	65,591	65,163