



# **PROGRESS CARE HOUSING ASSOCIATION LIMITED**

## Annual Accounts 2017

Financial Statements for the year  
ended 31 March 2017



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# Members of the Board of Management and Executive Officers

## Members of the Board of Management

M Barton	** retired 5 September 2016
S Bridgen	#
M Clarke	#
G Furlong	*
A Greenhill	# appointed 1 April 2016
J Hale	(appointed Chair 5 September 2016)
P Hodgett	appointed 1 April 2016
S Horrill	* appointed 5 September 2016
G Sarkar	# appointed 1 April 2016, resigned 6 December 2016
W Staines	retired 5 September 2016
P Whitworth	# Chair retired 5 September 2016
V Willder	appointed 1 April 2016, retired 5 September 2016
I Wilson	

# Member of Remuneration & Nominations Committee

## Chair of Remuneration & Nominations Committee

\* Member of Audit Committee

\*\* Chair of Audit Committee

Details on individual Board member attendance can be obtained from the Group's website.

## Secretary

M Stevenson

## Registered Office

Sumner House  
21 King St, Leyland  
PR25 2LW

## Executive Officers

J M De-Rose BSc MCIH	Group Chief Executive
A Speer MBA, ACMA, BA (Hons)	Executive Director (Finance & Resources)
E Tamanis BA (Hons) ACMA	Executive Director (Development) Resigned 30 June 2017
B Keenan	Executive Director (Services & Growth)
M Stevenson LLB (Hons)	Executive Director (Legal & Governance)

## Auditors

KPMG LLP  
1 St Peter's Square  
Manchester  
M2 3AE

# Five year financial highlights

For the financial years ended	FRS 102			OLD UK GAAP	
	2017 £'000	2016 £'000	Restated## 2015 £'000	2014 £'000	Restated## 2013 £'000
<b>Statement of Comprehensive Income</b>					
Turnover	32,209	32,007	32,147	34,042	33,417
Depreciation	2,979	2,912	2,838	2,208	2,003
Impairment (see below) ##	153	334	1	177	336
Operating surplus	7,229	7,224	7,085	9,937	8,934
Interest and financing costs	(4,775)	(4,839)	(4,884)	(4,815)	(4,641)
Surplus after tax	2,924	2,902	2,192	5,327	4,729
Impairment on historic cost basis	20	161	403	177	336
Impairment on previously revalued amounts	134	172	666	-	-
Total Impairment in the Statement of Comprehensive Income	153	334	1,069	177	336
<b>Statement of Cashflows</b>					
Cash flow from operating activities	10,347	9,950	10,723	11,847	14,687
Cash flow from investing activities	(1,595)	(1,532)	(3,552)	(9,068)	(14,895)
Cash flow from financing activities	(9,227)	(8,602)	(7,056)	(4,575)	(4,400)
Net debt	(88,695)	(93,188)	(97,285)	(99,928)	(97,972)
<b>Statement of Financial Position</b>					
Tangible Fixed Assets	169,851	171,103	172,766	201,156	192,294
Net Current Assets/(Liabilities)	10,024	7,915	3,250	1,191	(2,334)
Debt due after more than one year ###	98,990	100,910	100,890	101,742	96,772
Pension liabilities	1,153	1,085	1,451	818	1,230
Revaluation reserve	35,990	36,539	37,073	44,152	32,895
Other reserves	45,275	42,339	38,480	29,234	23,492
<b>Key Ratios and Indicators</b>					
Operating margin	22%	23%	22%	29%	27%
Interest cover	214%	209%	203%	252%	236%
EBITDA	3,140	3,253	10,992	12,322	11,273
Net surplus as a % of turnover	9%	9%	7%	16%	14%
Gearing ###	49%	52%	55%	57%	63%

# Denotes restatement for FRS 102 which replaced the old UK generally accepted accounting practice (GAAP). Therefore 2014 and 2013 are not directly comparable with the years 2015 onwards.

## Total Impairment is on a deemed cost basis in the years 2015 onwards under FRS 102 and under a revaluation basis for the years prior under old UK GAAP.

### Gearing has been calculated on Net debt. Net debt is cash in hand, at bank and overdrafts, current asset investments, housing loans and finance leases.

# Report of the Board

The Board presents its report and the audited financial statements of the Association for the year ended 31 March 2017

Progress Care Housing Association (a subsidiary of Progress Housing Group Limited) is one of the UK's leading supported housing providers. We have a national reputation for providing high quality housing solutions for individuals with a range of support needs. We provide housing management services and work with independent support providers who provide the care support to our customers. We operate in a wide area of the UK working from the Borders in Scotland down to the south coast in England covering over 100 local authorities, providing more than 3,100 units of accommodation. This includes 315 tenancies as part of the Leeds Independent Living Accommodation Company 'LiLAC' a private finance initiative. In Lincolnshire a multi-million project in partnership, over 42 years, with the NHS has enabled the Association to develop 573 units of key-worker accommodation for staff at three hospital sites under the Progress Living brand.

## Strategic Report

### *Strategy and objectives*

The Group's vision is to have a positive impact on people and communities by providing high quality homes, supporting independence and creating opportunities. The Group Strategic Plan is for the period 2017 to 2020 and its primary focus is the delivery of a well-housed population and high standards of customer service. For detail on the Group's priorities refer to Progress Housing Group consolidated accounts.

The Group operates under a common Board arrangement, has a common branding under Progress Housing Group, operates standard terms and conditions and all functions operate across the legal entities.

## Business Model

Progress Housing Group Limited believes that everyone has the right to a decent place to live and the core objective is to further this principle by playing our part in ensuring that everyone has a good quality home in a welcoming and safe community with excellent services. Our charitable subsidiaries comprise New Progress Housing Association Limited, Progress Care Housing Association Limited, New Fylde Housing Limited which are Community Benefit Societies and Key Unlocking Futures Limited which is a charity registered with the Charity Commission.

We operate within the housing market and offer a wide range of accommodation and services to a diverse customer base, as detailed below. The Group owns and manages over 10,000 tenancies across England and Scotland. We also provide social alarm services to our own internal customers and to external organisations.

Our range of accommodation types and customers across the Association include:

### *Supported living*

Progress Housing Group is the largest provider of specialist supported housing in England primarily providing accommodation for people with a learning disability or mental health need. Our reputation for delivering and supporting the aims of local authority commissioners and NHS Trusts has contributed to our continued growth.

We currently provide over 2,500 units of accommodation in 92 local authority areas. Care and support is provided to our tenants by more than 100 different support agencies appointed by local authority or NHS Trust commissioners. We have a number of models of accommodation including shared houses, flats and bungalows which make up around 80% of our stock as well as self-contained accommodation and shared ownership.

Our strategy is to increase the amount of self-contained accommodation we provide to meet the needs and aspirations of our tenants.

Our focus for new developments continues in our core areas of the North West, Yorkshire, Midlands, Buckinghamshire and East Anglia.

Progress Care Housing Association holds a one third share in a joint venture company, Leeds Independent Living Accommodation Company Limited. This is a private finance initiative with Leeds City Council to provide 315 units of supported living accommodation to customers with a range of needs across multiple sites around Leeds. This joint venture has two other partners in the consortium, Jack Lunn (Properties) Limited and Civic PFI Investments. The PFI continues to perform well.

### *Supported housing*

Supported housing provides short term accommodation and support to women and their children escaping domestic abuse. We have 1 scheme providing 8 units of this type of accommodation in the South Ribble area. We also manage another scheme with 3 units of accommodation on behalf of another registered provider. The average length of stay in supported housing is 55 days but can be as short as a few days. Support is funded by grant from Lancashire County Council. There is high demand for this service with high levels of customer satisfaction.

### *Key worker accommodation*

Progress Care Housing Association entered into a Private Public Partnership in 2006 with United Lincolnshire NHS Trust to provide the 573 units of key worker accommodation at 3 hospitals in Grantham, Lincoln and Boston. Provision of accommodation within hospitals for key worker staff provides further diversity within the Group's portfolio and is not social housing but it is charitable.

### *Principal risks and uncertainties*

In our 2020 Strategic Plan we have set out our critical success factors to achieve our priorities as mentioned above. As part of this, we consider business planning and risk assessment as complementary. It is vital the Board assess the risks that affect the Group's ability to meet its key objectives. The increasing importance of housing in the political agenda exposes the organisation to political, statutory and regulatory risks. Our Board continuously monitors risks and how these will impact the financial position of the Group through its long term financial plan modelling. The Group has considered the tragic events at Grenfell Tower and as part of its regulatory engagement has confirmed that the Group does not own or manage any buildings clad in an Aluminium Composite Material (ACM), nor any buildings higher than 18 metres.

The Group's updated risk strategy has been operational for a full year now and was recently subject to an internal audit (and received positive feedback). An updated strategic risk register has been presented to the Board on a quarterly basis, and a strategic risk assurance map has been developed and presented to the Audit Committee - this will be subject to regular reviews and updates and will be presented to the Audit Committee as required. The Risk Governance Working Party met during the year to review the implementation of the updated strategy and undertake a lessons learnt exercise. This has led to minor amendments being made to the risk strategy and action plan, approved by Board in June 2017.

The table below details what current risks the Board considers we face and how we mitigate and control them.

Strategic objective	Risk	Mitigation and controls
<p><b>Developing a stronger organisation</b></p>	<p>Uncertainty of income due to government controls on future rent levels post 2020 and costs increase higher than income due to inflation.</p>	<p>As some of the Group's rental income is dependent on government policy and inflation levels, there is a high degree of uncertainty on policy changes and inflation levels. Our long term financial plans have been stress tested taking into account negative and low levels of inflation. We have incorporated prudent planning assumptions on inflationary levels from 2017 onwards. We have identified trigger points within the plans and undertake continuous reviews and monitoring of external factors which may influence our income levels. Our service areas reviews have completed with a clear emphasis on cost reduction.</p> <p>Generating income from other sources for example growing the Progress Lifeline and TECS.</p>
<p><b>Developing a stronger organisation</b></p>	<p>The ability for our supported living customers to pay their rent as a consequence of welfare reform changes. These include the impact of Universal Credit and application of the Local Housing Allowance for benefit payments.</p>	<p>The Group is keeping a watching brief on the Government agenda. We have issued a response to the Government's consultation document regarding the proposals for the future funding of supported housing.</p> <p>We have revised our development strategy to respond to the changing external financial environment. This has included a gradual move towards customers with higher needs and to develop more self-contained accommodation.</p>
<p><b>Providing more and better homes</b></p>	<p>The ability to deliver a financially sustainable development programme as a result of reductions in subsidy grants/income.</p> <p>If the Government's agenda continues to support home ownership rather than social housing, subsidy grants/income are likely to further reduce or cease effecting the Group's ability to deliver a sustainable development programme.</p>	<p>We have updated our appraisal criteria and continue to seek other forms of funding. We have an established a Development Working Party in relation to outright sale, shared ownership, key worker accommodation, supported living and step down accommodation. The Development strategy has been updated accordingly. We have taken the decision to dispose of our market rented portfolio to utilise the cash proceeds to reinvest into developing properties for outright sale.</p> <p>We are also recruiting and commissioning specialist skills within the Group to deliver these new initiatives.</p> <p>The Group has increased its affordable home ownership activity which is contributing to a sustainable development programme.</p>

**Support individuals and communities to achieve independence**

Cuts to Supporting People Funding and Local Housing Allowance payments will result in a reduction in funding/income affecting the Group's ability to deliver an effective Supported Housing service.

WWe have introduced improved access for payment methods for customers including any day direct debits. We identify and engage with residents at risk and our Financial Inclusion Team supports individual customers to manage their finances. Close working relationships with local authority Housing Benefit departments has enabled the effective exchange of information to target resources on those affected. We have been working closely with commissioners to assess the impact of the proposals. We are keeping up to date with new funding opportunities for supported housing schemes and a supported housing strategy will be developed.

**Long-term financial planning**

The Group's latest long term financial plans show a slight deterioration of the Group's financial position over time when compared to the 2016 plan; this is primarily due to a change in assumptions arising from both the internal and external environment. However, the performance of the Association in its latest long term financial plans shows a more significant deterioration in its financial position, largely due to the assumption of downward pressure on rent levels for the foreseeable future. The key strategy remains to ensure it is financially strong, respond to economic and political change and continue to deliver quality services to customers. As part of the Group further strengthening risk governance, we have performed detailed stress testing on its financial plans to identify potential financial impacts from a variety of changes. This stress testing has pushed the long term plans to the point at which it breaks, either through solvency or liquidity problems. In response to this stress testing, a number of mitigating strategies have been identified and continuously developed to ensure the Group is resilient. From the review, it is clear that the Group is in a relatively strong position, and has a number of mitigating strategies in place.

**Treasury Management**

The Group's Treasury Management function is under the direction of the Executive Director (Finance and Resources). Advice is also received from the Group's financial and corporate advisers, David Tolson Partnership who review the Group Treasury Management Policy and Strategy annually. The primary objective of the Group's Treasury Management Strategy is the provision of financial resources necessary to achieve

its purpose and the management of associated risks, financial and operational, that might threaten its ability to do so. The Treasury Management function is not a profit centre however it is committed to the principles of achieving value for money in Treasury Management, and to employ suitable measurement techniques, within the context of effective risk management.

The Group has sufficient liquidity in place to meet at least the next 18 months requirements. Progress Housing Group has a £287 million loan facility of which £32.5m is undrawn facilities fully secured. These facilities provide funds for at least the next three years.

**Corporate Governance**

The Group has adopted the National Housing Federation's Code of Governance (2015 version) and seeks at all times to comply with both and best practice with regards to corporate governance. Compliance against the code is reviewed on an annual basis and the outcome of that review is reported to the Group's Remuneration and Nominations committee.

It is a requirement of the HCA's Governance Standard that the Group adopts an appropriate code and reports any variation on a "comply or explain" basis. This statement is therefore part of the Group's regulatory compliance.

Following its review of compliance against the NHF 2015 Code of Governance the Group has concluded that it remains compliant with the provisions of the code.

## *Governance Structure*

The Group operates on a singular register provider (RP) Board structure with members being active across the different Boards. The Boards have overall responsibility for setting the strategic direction of the Group through the corporate business plan and maintain control of the Group's governance and compliance. The framework of control provides the structure of governance within the Group and this includes the Intra-Group Agreement, Standing Orders and Scheme of Delegation, Financial Regulations and via the Group's adopted policies and procedures.

Key Unlocking Futures Limited is a registered charity and is not a Registered Provider. It has a separate Board of trustees to the Registered Providers. A Grouping Deed joins Key into the Group's governance structure.

The Group has a number of sub-committees which have delegated authority in a number of areas. Each sub-committee have terms of reference which are approved by the Parent. The composition of each sub-committees and a brief overview of its role is set out below.

### *Audit Committee*

The committee membership is up to five members, with no more than 2 having independent status. The committee has responsibility for oversight of the financial reporting process, approval of accounting policies, the system of internal control, providing assurance to the Board over the design and operation of the risk management framework, and the internal and external audit process.

### *Remuneration & Nominations Committee*

The committee membership is up to five members, with no more than 2 having independent status. The committee has responsibility for setting remuneration policy for staff and the Board and other policies as delegated by the Board. In addition, the committee oversees the appraisal of the Group Chief Executive, and recommends to the Parent Board the Chief Executive's remuneration for approval. The committee also oversees the process of Board appraisal and makes recommendations for appointments to Board.

## *Executive Board*

The Board membership consists of the executive management team and meets on at least a quarterly basis.

The Board oversees a number of policies and procedures as delegated by the Parent Board, receives operational performance and management information, oversees operational risk management and compliance and acts as the development sub-committee for the Group.

### *Directors*

The names of the Non-Executive Directors who have served during the year are shown on page 2 and the Board would like to thank them all for their support and continued interest in the work of the Group.

## *Statement of Internal Control*

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. This applies for all subsidiaries within the Group.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved, and that assets are safeguarded, that transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed and is consistent with best practice.

The key features of the group's system of internal controls include:

- ◆ The Group has adopted the National Housing Federation's Code of Governance (Key Unlocking Futures operate to the Good Governance for the Voluntary and Community Sector code). A governance review was undertaken during 2015/16 and a new Board of Non-Executive Directors were appointed and have now taken up position. The Board have been working with Straight Forward Consultancy to design and implement a framework of self-assessment and performance management
- ◆ Rules, standing orders, intra-Group agreements and financial regulations were all reviewed in 2016/17 and continue to meet legal, regulatory and good practice requirements
- ◆ A structured systematic approach has been taken in response to the changing operating environment, which the Group has continued to closely monitor. For example, phase two service reviews have taken place during the year. These involve a full review of service delivery models, including the use of technology and staff resource requirements – essentially a process to “future proof” the Group's services. No further service reviews are planned, however a commitment to continuous improvement has been adopted and future changes to staffing models have not been ruled out
- ◆ The compliance statement (which was introduced in June 2015 to identify areas of non-compliance in the areas of legal, regulation, finance, health and safety and policies) has continued to operate throughout the year. There have been no areas of non-compliance reported to Board. There are no trends or indications in the quarterly Board performance reporting which point to weaknesses in the control environment
- ◆ The Risk Governance Working Party has met 12 months after the Group's risk management framework was updated and rolled out. The Working Party reviewed the implementation of the framework and undertook a lessons learnt exercise, and as a result minor changes were made to the Group's risk management strategy, which will be presented for Board approval in June 2017
- ◆ The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review and has been specifically reviewed by the Risk Governance Working Party. An independent review has also been undertaken by Beever and Struthers (the Group's co-sourced internal auditors) who provided positive feedback over the design of the risk management framework and the implementation to date
- ◆ All decisions being made by the Board are supported with an analysis of the risks involved. An updated Board reporting template has been implemented and risk continues to be a mandatory field for completion
- ◆ The Group has updated their internal audit universe and associated assurance map, covering the Group's critical services, strategic risks, and other areas which contribute to the achievement of the Group's strategic objectives. This has enabled the production of a risk based internal audit plan, focusing on the areas of most importance to the Group
- ◆ The Audit Committee has delegated authority from the Board to approve and monitor the delivery of the internal risk based audit plan, consider any control weaknesses, approve management actions and review follow up work on implementation of audit recommendations. The Committee meets independently with internal and external auditors to seek additional assurance on the robustness of control systems
- ◆ The Audit Committee has received regular reports during the year with regard to any proposed significant changes to accounting policies and estimates affecting the accounts
- ◆ KPMG are the Group's external auditors. There were no matters arising within their external auditors management letter for the year ended March 2016 (which was presented to Board in August 2016)
- ◆ Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board reviews the management accounts each quarter which highlight and explain any significant budget variances. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes

- ◆ The Group has in place a Raising Concerns at Work policy, as well as a dedicated whistleblowing page on its website. Details of identified frauds are maintained in a fraud register which is reviewed annually by the Audit Committee on behalf of the Board, prior to being submitted to the HCA through the annual return process
- ◆ All staff are appointed on the basis of robust selection and recruitment processes, with comprehensive induction and training programmes
- ◆ The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including Treasury strategy and new investment projects. The Board has adopted and disseminated to all employees, the Group's Code of Governance. This sets out the Group's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply
- ◆ The Performance Review and Development Process (PRDP) has continued to guide and assist staff and managers on how to effectively manage performance. A whole business targets Group continues to monitor compliance with the process.

The Group Chief Executive has reviewed the internal control and assurance arrangements by reference to the above and has reported to the Board that she is satisfied with the effectiveness of the control systems. The Audit Committee has also expressed its satisfaction with these arrangements in its review of the effectiveness of internal control systems (assisted by the Internal Audit Annual Assurance Statement). Through the work undertaken by the Committee, it can confirm that, to the best of their knowledge, there have been no significant weaknesses in controls resulting in material losses, contingencies or uncertainties, which would have required disclosure in the financial statements.

## Environmental, Employee, Social and Community Matters

### *Environment*

The Group has an Energy Management for Residents framework that sets out a commitment to tackling fuel poverty amongst its residents, improving domestic energy efficiency of properties and using renewable energy sources. The framework focuses on both people through the use of energy management, and property using a fabric first approach and supplementing this with renewable technologies where appropriate. A strategy is being developed to introduce a new 'Progress Warm Homes Standard' for new homes and a programme of refurbishment to achieve the Government's '2050 Pathway' of reducing carbon emissions of our homes by 80% in 2050 compared with 1990.

### *Employee Involvement*

This year the Group launched its new intranet 'today@progress' which has been a huge success, we have seen the intranet grow each day, into what is now a thriving digital community and an essential part of every day at Progress. 425 items of news have been shared and 900 documents have been uploaded. There have been 230,000 visits to today@progress and 29,000 searches have been undertaken. Today@progress has become the platform for our regular employee communication. Engagement has been further enhanced by regular one-to-ones, team meetings, staff briefings and the annual staff conference.

In 2016, 85% of all staff reported having a year-end review with their line manager by the end of July. The Group's approach to people management and development is very much focused on valuing quality one-to-one conversations and so, despite not achieving 100% of year-end reviews, regular one-to-one discussions continue to take place across the Group.

The Group continued to work in partnership with its established Staff Forum which met 4 times during the year, welcoming the opportunity for dialogue and exchange of views between the senior management team and staff representatives on issues of mutual concern and interest.

The openness of the statutory collective consultation was achieved by remaining true to our values. Details of agendas and minutes of the Staff Forum are shared on 'today@progress'.

Following feedback from staff and mindful of the challenges facing the sector, the 2016 staff conference was a very different event from previous years. By scaling down the event to a half day business focused away day and reducing some of the associated costs of previous year's events, it enabled us to make a saving of 80% whilst still providing staff with the opportunity to come together as one team and celebrate and reflect on our achievements and the future ahead. Around 300 staff attended the event which included our annual celebration of achievements through our Progress Stars awards, which in 2016, reflected our strategic aims. All the awards were nominated by staff and we had over 100 nominations. The standard has been so high, that in some categories we had to choose two award winners.

The Group's People Strategy was approved in September 2016 and launched under the brand of Progress Together. Its three main strands of effort are defined as Leading the Organisation, Enabling Achievement and Strengthening the Organisation.

The Group has held Investors in People (IIP) accreditation since 1996 and has been reassessed every three years since then. Our 2017 assessment took place against the new sixth generation standard and was extended to include Key Unlocking Futures, for the first time. The review confirmed that the Group continues to meet the requirements of the IIP standard and our accreditation will continue for a further three years. The accreditation is subject to annual reviews in 2018 and 2019. The cascade of the results will focus on drawing out understanding and developing corporate and team actions aligned with embedding Progress Together.

A number of senior management briefings have been held during the year to inform employees of Business Plan updates and discuss the strategic direction of the Group. Such sessions also provide invaluable forums for giving and receiving first-hand feedback.

We remain committed to equal opportunities and, once again, a group of employees have participated in the Housing Diversity Network mentoring programme and two senior managers have been mentors on the same programme. The Group has registered with the Disability Confident scheme and continues to guarantee to interview all applicants with disabilities who meet the minimum criteria for a job vacancy and to consider them on their abilities. We have also introduced gender blind shortlisting to challenge any unconscious bias that may exist during recruitment processes.

Our benefits package is wide-ranging and includes everything from subsidised healthcare to an employee assistance programme and flexible working.

### *Customer involvement*

Putting customers at the heart of what we do to ensure our decisions are driven by customer needs and aspirations, is one of the Group's key strategic aims. We aim to ensure that everything we do delivers great results for customers and we have committed to ensuring that our customers influence service standards and business decisions. Our recent focus has therefore been on gaining a better insight into what matters most to our customers via our community engagement and scrutiny work. As part of the programme of service reviews, we reshaped our services to enable us to deliver more focussed services; for example we have engaged in consultation with the community at Lower Lane to learn what youth provision is required in the local area. This information will be used to develop a programme of activities by working in partnership with other providers to ensure the needs of the community are met. The essence of customer involvement and the strategies managed by the team have not changed in terms of outcomes, but we have changed the way in which they are delivered.

Our Scrutiny Pool undertakes specific service reviews to understand the customer experience and focuses on improving customer satisfaction and strengthening VFM. Throughout the year we continued to support the capacity of the Scrutiny Pool and were shortlisted in the 2017 Tpas awards for Excellence in Scrutiny. The Scrutiny Pool is an open forum which any tenant can attend and on average seven customers from across the Group are involved at any one time. For the year there have been 33 mystery shopping calls, 50 void inspections and 28 green inspections carried out and reported on.

The Scrutiny Pool has carried out five service area reviews during 2016/17. These reviews have looked at:

- ◆ Progress Housing Group’s website
- ◆ Repairs communication
- ◆ Independent Living consultation
- ◆ Progress Connect call waiting times
- ◆ Stage one of the complaints process

The reviews resulted in 28 recommendations being put forward by the Scrutiny Pool. A full update on the implementation of the recommendations is presented at the Quarterly Scrutiny Pool meetings.

The Group aims to create opportunities for all our customers and to do this we use our Progress Futures initiative. This is a free to use service that helps many tenants and their family members to access training or education and to improve employment prospects. The team adopts a person centred approach to work with each individual to help them achieve their own personal goal in terms of entering training, education, volunteering or employment. Progress Futures have worked with 74 customers, helping them to gain experience, qualifications and to access employment opportunities. A further 150 individuals have been assisted through a community based job club. At the end of the financial year the waiting list stood at 35 customers. The Progress Futures working party have identified a number of key project areas which include a furniture upcycling / recycling project, a void clearance project and a ‘digital passport’ for Progress Futures customers to keep a record of their training and their progress in acquiring skills. All of these projects have clear aims to create opportunities and support customers of the Group.

## Business Performance

### Financial performance for the year

Our financial performance for the year continues to be strong in all areas. Turnover increased slightly by £0.2 million, due to some marginal rent and services increases. Operating costs increased by 0.8% by £0.2 million. Our operating surplus stood at £7.2 million constant with year. The surplus after tax was also in line with prior year at £2.9 million.

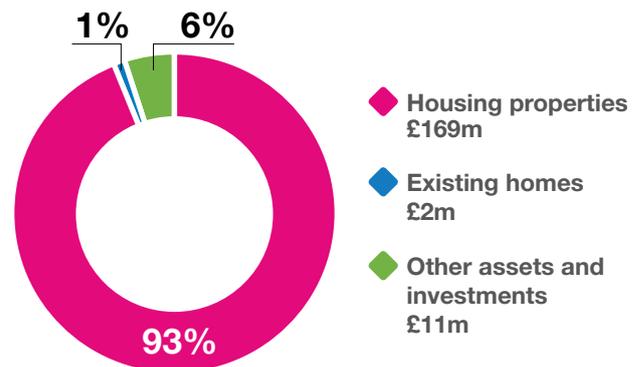
Cash flow from operating activities was £10 million, mainly due to the operating surplus, adding back

some £3.1 million of depreciation and impairment. Loans of £2 million were repaid during the year with our development and maintenance commitments of £2 million funded through operating cash flows. Development activity is lower than prior years following Government rent reductions, delays to projects following changes in tenure to produce more affordable home ownership products and uncertainty about the future funding of specialist supported housing.

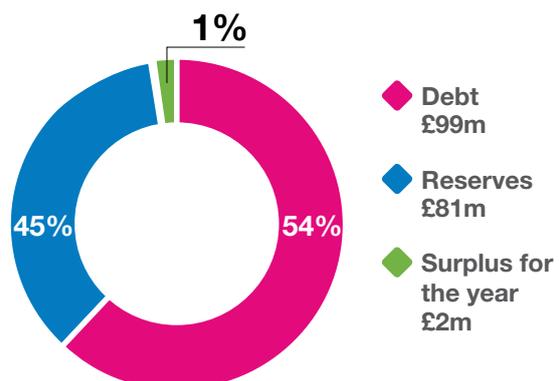
Net tangible fixed assets remained static at £170 million reflecting asset growth offset by depreciation. The share of the Group’s pension fund deficit for both LGPS and SHPS schemes is £1.2 million. Reserves increased by £2.4 million due to the surplus made in the year. The Association had £81 million net assets at the end of the year. Net debt reduced by £2 million arising from loan repayments.

The Association is a not for profit organisation, all our surplus has been or will be reinvested to run and improve our services. Our total comprehensive income has continued to grow in the year, meaning we can continue to invest in new homes, maintain existing homes and manage our liabilities. An overview of our financial picture showing total investment along with financing can be seen as:

### Assets



### Financed by



The charts above show that our annual surplus is one part of the financing of our properties. Surpluses from our social and non-social housing activities are used to service debt and strengthen reserves, which enables us to have capacity to develop more homes. Reductions in grant rates over the last few years have placed constraints on capacity but we have continued to increase our operating cash flows and reduce our gearing levels. Over the last three years, we have spent at least 50% of our operating cash surplus on new housing.

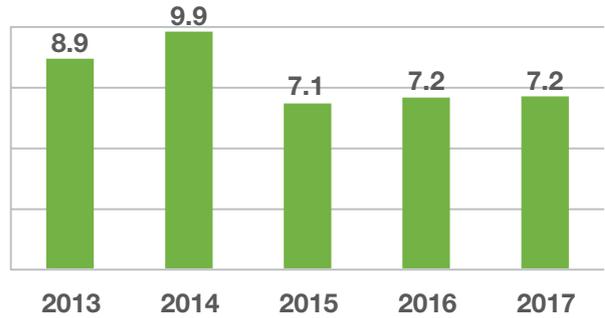
### Key Performance Indicators

The Group has a performance management framework that underpins its vision and strategic aims identified within its Strategic Plan to 2020. This ensures that we have a robust process in place to capture and report on all elements of VFM within the business including cost, performance and effectiveness measures. We have built a balanced scorecard methodology which assesses performance against financial, customer and communities, learning and growth and operating process targets.

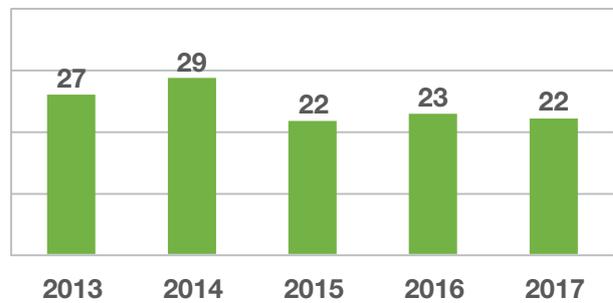
Our operational performance in the year remained strong on most of its performance indicators. The Association regularly monitors and reports on key indicators including rent arrears expressed a percentage of rent debit, void losses and repairs. The Association's year-end arrears performance has exceeded the end of year targets with gross current arrears at 4.1% below the target of 4.8%. Former tenant arrears performance stood at 0.25%, performance has remained stable and strong over the previous 4 years. The main challenge we faced however was in our void performance with mixed performance across the three main indicators. The current level of voids stood at 8.5% which is better than the 10% target and 5.8% rent loss due to voids just missed the annual target of 5.7%. Re-let times annual target was not met performance stood at 313.8 days against a target of 293 days. We continue to focus our strategy on reviewing demand on accommodation types and looking at ways to improve the service and time taken to fill void property.

The Association monitors a number of key financial indicators. Four of them along with our performance trend over the last five years can be seen below. From 2015 onwards the financial statements were prepared under FRS 102 therefore the years 2014 and 2013 are not directly comparable.

### Operating Surplus £m



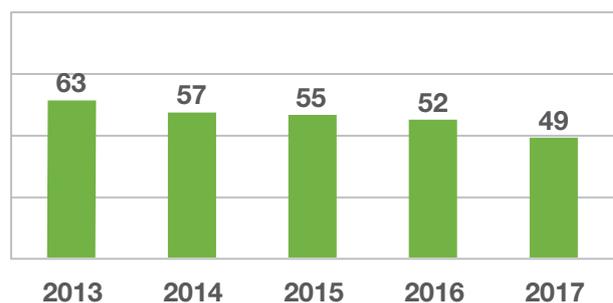
### Operating Margin %



### Interest Cover %



### Gearing %



The Association's underlying financial performance is within target and demonstrates our financial strength and resilience. The loan covenant indicators including interest cover shows a strong position over time. For a full list of our performance indicators and our current performance against target please visit the Group's website [www.progressgroup.org.uk](http://www.progressgroup.org.uk)

### *Growth and development*

Within 2016/17 a target of delivering 44 homes was set, against this target we achieved delivery of 26, which equates to 59%. The gross spend in 2016/17 was £1.8 million with grant received of £0.3 million. The Association also has £2.5 million of capital commitments relating to Board approved capital expenditure as at March 2017.

The largest impact has been caused by the linkage of housing benefit to Local Housing Allowance within the Spending Review and Autumn Statement 2015 risks as they apply to revenue funded supported living properties due to the Autumn Statement announcement. The Group had previously anticipated and considered the risks of welfare reform and introduced a Rent and Development Strategy for Supported Living Properties in 2014 (updated in May 2015 and is in the process of being updated currently) and is largely responsible for the reduced development programme.

### *Value for money*

Value for Money underpins the delivery of the Group's vision and our key strategic aims. A comprehensive assessment of VFM for the year has been undertaken by the Board and Executive Team in order to demonstrate to all our stakeholders a rounded picture of how we have performed against our VFM targets for 2016/17, how we have progressed since last year and how we intend to deliver VFM in the future. The Group is confident that it has complied with our regulator, the HCA's, VFM standard. The full detailed VFM self-assessment can be read on our website at [www.progressgroup.org.uk](http://www.progressgroup.org.uk).

We recognise how crucially important our work is to our customers who deserve our highest performance and quality of home possible. We also recognise that we must continue to play our part in delivering much needed new homes.

### **Our key VFM achievements in 2016/17 have been as follows:**

- ◆ We have successfully reduced continuing operating costs by £1.7 million against our target for the year of £1 million
- ◆ Our target of £1 million included £0.3 million for procurement activities, which we exceeded by £0.1 million and achieved £0.4 million
- ◆ We completed our planned service review for phase 1. These have achieved £1.3 million of savings before one-off restructuring costs
- ◆ We have continued with our £4 million investment programme in our IT infrastructure and systems since 2012. This is transforming the way that we work, improving productivity and quality, reducing costs and increasing engagement with our customers
- ◆ Our management cost per unit is lower than our target in 2016/17 of £1,051, with actual £995 (on an adjusted basis)
- ◆ Our performance results demonstrate some significant improvements including: a reduction in the level of arrears and outstanding number of voids and an improvement in customer satisfaction. There has been a worsening position within employee sickness and turnover which is showing a close relationship to the service reviews undertaken within the year. Further work is ongoing to improve responsive repairs appointments kept by re-engineering the dynamic scheduling process to improve productivity and service delivery
- ◆ We have begun to dispose of our market rent properties in line with strategy, to apply the proceeds to invest in outright sale developments.

### **In addition to our VFM achievements above, we have also achieved the following:**

- ◆ We have produced for the financial year, an overall Group surplus of £10 million against a target of £10 million.
- ◆ We have revised and implemented a new asset management strategy. Of the 243 properties identified as part of the financial performance assessment 16 properties had options appraisals carried out to determine the best possible use for the assets.
- ◆ Within the year, following an options appraisal, we have successfully decanted and decommissioned an Independent Living Scheme which was not performing, including high levels of voids.

- ◆ We have generated sales proceeds of £1.9 million from the sale of shared ownership properties and outright property sales which have contributed towards investment in new developments
- ◆ We have spent £5 million reinvesting in our existing stock and a further £12m on repairs and maintenance.
- ◆ We have continued to deliver community investment activities and have invested over £0.7 million since establishment a few years ago. This has supported a range of projects through newly established working parties. In demonstrating that we put our customers at the heart of what we do, our community involvement work has attracted 8,436 attendees.

**The Board is committed to ensuring that VFM is embedded in both the culture and the decision making processes of the Group. The Board achieve this by:**

- ◆ Setting the overall strategic direction and culture of the Group and recognising how essential the maximising of VFM is to the delivery of the strategic aims
- ◆ Approving the VFM strategy and overseeing its implementation
- ◆ Considering VFM within relevant Board reports, including financial, performance monitoring and benchmarking information
- ◆ Scrutinising and approving major business proposals including cost/benefit/risk analysis arising from the proposal and how VFM and/or social value will be maximised
- ◆ Approving key strategies and ensuring that VFM has been considered throughout
- ◆ Ensuring that our people strategies are linked to our strategic aims
- ◆ Agreeing VFM efficiency targets within the business plan and budget setting processes
- ◆ Determining where VFM gains are reinvested
- ◆ Setting stretching performance targets and monitoring business performance closely. This is informed by benchmarking information of our peer Group, which in turn enables the Board to challenge PHG to do more
- ◆ Reviewing progress against the Strategic Plan to ensure that the business is continuously improving and achieving more
- ◆ Publishing the annual VFM self-assessment by the deadline of 30th September.

The Board considers that, in completing this comprehensive VFM self-assessment, it has complied with the Regulator's VFM standard and has produced a full and honest assessment to enable our stakeholders to understand how we are performing currently against the targets we had set ourselves and what our forward-looking targets are in order to demonstrate our continuing commitment to VFM.

## *Regulation*

As a registered provider, we are regulated by The Homes and Communities Agency. In November 2016 the HCA published its annual stability check and the Group has retained a V1/G1 viability rating.

The Group monitors its ongoing compliance with both the economic and consumer Regulatory standards and compliance is reported to the Board on an annual basis with any changes or implications arising within the year being reported on an ad hoc basis. As at the reporting date the Board can confirm compliance with these standards.

## *Going concern*

After making appropriate enquiries, and whilst recognising a changing policy world, the Board is satisfied that no significant risks or exposures exist other than those disclosed in the financial statements and we are well placed to understand and manage the challenges and business risks ahead. The Board also considers that the Group has adequate resources to continue operating for the foreseeable future. For these reasons, therefore, the Board continues to adopt the Going Concern basis in preparing the financial statements.

## *Statement of compliance*

This strategic report has been prepared in accordance with best practice guidance and the Board, in approving the financial statements, are also approving the strategic report.

## *Statement of disclosure to the Auditors*

At the time of approval of this report:

- a) so far as the Non-Executive Directors are aware, there is no relevant audit information of which the Group's Auditor is unaware, and
- b) the Non-Executive Directors have taken all steps that they ought to have taken as Non-Executive Directors in order to make themselves aware of any relevant audit information and to establish that the Group's Auditor is aware of that information.

## *Auditors*

In line with the Group's financial regulations the audit service has been re-tendered during summer 2017. BDO were appointed as the Group's auditors.

## *Annual General Meeting*

The Annual General Meeting of the Association will be held at Sumner House, 21 King Street, Leyland, Lancashire on 4th September 2017.

**Michelle Stevenson**

Secretary

7 August 2017

# Statement of Board's Responsibilities

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

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

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

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

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

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

The Board is responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

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

### **Janet Hale**

Board Member

### **Gwynne Furlong**

Board Member

# Report of the Independent Auditor

## *Independent auditor's report to Progress Care Housing Association Limited*

We have audited the financial statements of Progress Care Housing Association Limited for the year ended 31 March 2017 set out on pages 19 to 44. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

## *Respective responsibilities of the Board and Auditor*

As more fully explained in the Statement of Board's Responsibilities set out on page 17, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## *Scope of the audit of the financial statements*

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

## *Opinion on financial statements*

In our opinion the financial statements:

- ◆ Give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Association as at 31 March 2016 and of its income and expenditure for the year then ended
- ◆ Comply with the requirements of the Co-operative and Community Benefit Societies Act 2014, and
- ◆ Have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

## *Matters on which we are required to report by exception*

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

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

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

## Statement of Comprehensive Income

for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Turnover	2	32,209	32,007
Operating expenditure	2	(24,980)	(24,782)
<b>Operating surplus</b>		<b>7,229</b>	<b>7,224</b>
(Loss) / gain on disposal of property, plant and equipment	6	(39)	29
Interest receivable	7	502	418
Interest and financing costs	8	(4,775)	(4,839)
Dividend receivable from joint venture company		7	70
<b>Surplus before and after tax</b>	5	<b>2,924</b>	<b>2,902</b>
Actuarial (loss) / gain on pension scheme		(537)	423
Realisation of revaluation reserve in respect of disposal of housing property		165	111
Realisation of revaluation reserve in respect of depreciation on revalued housing property		250	251
Realisation of revaluation reserve in respect of impairment on revalued housing properties		134	172
<b>Total comprehensive income for the year</b>		<b>2,936</b>	<b>3,859</b>

## Statement & Financial Position

As at 31 March 2017

	Notes	2017 £'000	2016 £'000
<b>Tangible fixed assets</b>			
Housing properties	9	169,612	170,849
Other tangible fixed assets	10	239	254
		<u>169,851</u>	<u>171,103</u>
<b>Intangible Fixed Assets</b>			
Investment in joint venture	11	1,829	1,855
<b>Current assets</b>			
Debtors	12	2,828	2,873
Investments	13	10,248	7,201
Cash and cash equivalents		47	522
		<u>13,123</u>	<u>10,595</u>
<b>Less: creditors amounts falling due within one year</b>	14	<u>(3,099)</u>	<u>(2,680)</u>
<b>Net current assets</b>		<u>10,024</u>	<u>7,915</u>
<b>Total assets</b>		<u>181,704</u>	<u>180,873</u>
<b>Creditors</b>			
Amounts falling due after more than one year	15	(98,990)	(100,910)
Government grants	15	(296)	-
Pension liabilities	22	(1,153)	(1,085)
		<u></u>	<u></u>
<b>Net assets</b>		<u>81,265</u>	<u>78,878</u>
<b>Reserves</b>			
Share capital	16	-	-
Revaluation reserves		35,990	36,539
Income and expenditure reserves		45,275	42,339
		<u>81,265</u>	<u>78,878</u>

The notes on pages 23 to 44 form an integral part of the financial statements.

The financial statements on pages 19 to 44 were approved by the Board of Management on 7 August 2017 and were signed on its behalf by:

**Janet Hale**  
Board Member

**Gwynne Furlong**  
Board Member

**Michelle Stevenson**  
Secretary

## Statement of Changes in Equity

for the year ended 31 March 2017

	Revaluation Reserves	Income & Expenditure Reserves	Total
	£'000	£'000	£'000
<b>At 1 April 2016</b>	<b>36,539</b>	<b>42,339</b>	<b>78,878</b>
<b>Total comprehensive income for the year ended 31 March 2017:</b>			
Surplus for the year	-	2,924	2,924
Actuarial loss on pension scheme	-	(537)	(537)
Realisation of revaluation reserve in respect of disposals of housing property	(165)	165	-
Realisation of revaluation reserve in respect of depreciation on revalued housing property	(250)	250	-
Realisation of revaluation reserve in respect of impairment on revalued housing property	(134)	134	-
<b>As at 31 March 2017</b>	<b>35,990</b>	<b>45,275</b>	<b>81,265</b>

## Cash Flow Statement

for the year ended 31 March 2017

	Note	2017 £'000	2016 £'000
<b>Cash flow from operating activities (see below)</b>		<b>10,347</b>	<b>9,950</b>
Purchase of housing properties		(1,731)	(2,457)
Purchase of housing property components		(626)	(369)
Government grants received	15	300	-
Proceeds from Sale of Tangible Assets		436	1,270
Cashflow in respect of joint venture		26	23
<b>Cash flow from investing activities</b>		<b>(1,595)</b>	<b>(1,532)</b>
Interest Received		502	418
Interest Paid		(4,176)	(4,220)
Movement on Borrowings		(1,942)	-
Advances of inter group loans		-	(2,500)
Deposits to Investments		(3,048)	(1,800)
Interest element of Finance lease rental payment		(567)	(568)
Capital element of finance lease rental payments		(3)	(3)
Dividends Received from Joint Venture		7	70
<b>Cash flow from financing activities</b>		<b>(9,227)</b>	<b>(8,602)</b>
<b>Net change in cash and cash equivalents</b>		<b>(475)</b>	<b>(184)</b>
<b>Cash and cash equivalents at 1 April</b>		<b>521</b>	<b>705</b>
<b>Cash and cash equivalents at 31 March</b>		<b>46</b>	<b>521</b>
<b>Adjustments for non-cash items</b>			
<b>Operating surplus</b>		<b>7,229</b>	<b>7,224</b>
Depreciation of tangible fixed assets	5	2,979	2,913
Impairment of property	5	153	334
Pension costs less contributions paid		(483)	(24)
Decrease/(increase) in trade and other debtors		45	(808)
Increase in trade and other creditors		424	311
<b>Total</b>		<b>10,347</b>	<b>9,950</b>
<b>Reconciliation of net cashflow to movement in net debt</b>			
Increase/(Decrease) in cash in the period		(475)	(183)
Cash deposited to investments		3,048	1,800
Change in loans - cash repaid		1,942	-
Change in loans - Amortisation of borrowing costs		(25)	(23)
Change in intercompany loans		-	2,500
Cash used in repaying finance lease capital		3	3
<b>Change in net debt</b>		<b>4,493</b>	<b>4,098</b>
<b>Net Debt at start of year</b>		<b>(93,188)</b>	<b>(97,285)</b>
<b>Net Debt at end of year</b>	19	<b>(88,695)</b>	<b>(93,188)</b>

# Notes to the Financial Statements

for the year ended 31 March 2017

## Accounting Policies

Progress Care Housing Association Limited is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Registered Provider.

### (1) Basis of Accounting

The financial statements of the association are prepared in accordance with Financial Reporting Standard 102 (FRS 102) – the applicable financial reporting standard in the UK and Republic of Ireland and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2014 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £1,000.

The Association believes it has adequate resources to manage its business risks successfully and maintain a programme of capital investment. The Report of the Board details the Association's objectives, policies and processes for managing its financial risks. Therefore the going concern basis of accounting has been adopted in the preparing the financial statements. Also, the accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

### Change in Accounting Policy

During the 2016/17 year the Association has changed its accounting policy with respect to housing property components which have been replaced before being fully depreciated. The Association now includes component write-offs within operating expenditure. Prior to this change in policy the Group included component write-offs within loss on disposal of property, plant and equipment.

The impact of this voluntary change in accounting policy on the financial statements is presentational only. This change did not result in a material impact on the current or prior year.

The Association believes the new policy reflects the write off of a component as an operating activity as it is part of an ongoing programme of replacements.

### Significant Estimates and Critical Judgements

Judgement and estimates that management has made in applying the above accounting regulations are included in the relevant accounting policies.

### (2) Turnover

Turnover comprises:

- ◆ Rental income receivable from tenants and leaseholders in the year
- ◆ Revenue grants receivable
- ◆ Income receivable from other services supplied in the year excluding VAT
- ◆ Income from sales of housing properties.

### (3) Housing properties

Housing properties completed prior to 1 April 2014 are stated at 'Deemed cost' as permitted by the transitional arrangements of FRS 102 para 35.10d and are accounted for under the cost model. The valuation in place at the transition date, 1 April 2014, is taken to be the assumed cost. This value is then depreciated each year, and stated at net book value which is equivalent to cost less depreciation. All housing properties acquired after 1 April 2014 are accounted for at cost, and then subsequently depreciated.

Completed housing properties have been split between their land and structure costs and a specific set of major components that require periodic replacement, as set out below.

Housing Properties leased between Group members are held at the present value of future cash flows.

Refurbishment or replacement of such a component is capitalised and then depreciated on a straight line basis over the estimated useful economic life of the component at the following rates:

Structure	shorter of 80 years or the remaining length of the lease
Kitchen	10-20 years
Bathrooms	15-30 years
Boilers	15 years
Heating system	30 years
Windows & doors	30 years
Lifts	25 years
Photo voltaic installations	25 years

Freehold land is not depreciated. Depreciation for the key worker accommodation properties is over the remaining period of the lease which is 42 years and commenced in 2006.

Housing properties in the course of construction are stated at cost and are transferred to housing properties held for letting when completed. Development costs which arise directly from the construction or acquisition of a property are capitalised to housing properties in the course of construction.

#### ***(4) Social Housing Grant and Other Capital Grants***

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

The net SHG received and not spent is included in current liabilities, taking into account all properties under construction. SHG allocated to lease properties is included in current liabilities and amortised over the lease term.

In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt. Other capital grants are also repayable under certain conditions and may be secured by first legal charge on the housing property.

Social Housing Grants received in the year are recognised in current and non-current liabilities based on the accrual model, and are amortised over their useful life which is generally 80 years unless specific conditions apply.

#### ***(5) Capitalisation of Interest and Development Overheads***

Interest is capitalised on loans financing schemes in development up to the point of practical completion. This is calculated by reference to the Association's cost of borrowing and relevant development costs.

Administration costs relating to development activities are capitalised based on an apportionment of the support costs directly incurred on this activity.

#### ***(6) Other Tangible Fixed Assets***

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight line basis, at rates considered appropriate to write-off the assets over their effective working lives as follows:

- ◆ **Fixtures and fittings**  
Straight Line Basis over 3-10 years or the minimum length of the lease, if subject to a finance lease.
- ◆ **Freehold offices and commercial properties**  
Straight line basis over 30-50 years.
- ◆ **Leasehold offices**  
Straight line basis over the lease term 25-30 years.
- ◆ **Computer equipment**  
Straight line basis over 3-7 years of the length of the lease.

## **(7) Defined Benefit Pension Schemes**

Progress Care Housing Association Limited continues to participate in Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme defined benefit streams. For current service, mandatory contributions to the defined benefit pension schemes are calculated as a percentage of pensionable salaries of employees, determined in accordance with actuarial advice. Past service contributions are based on lump sums. The cost of providing pensions is charged to the period over which PCHA benefits from the employee's service, in accordance with FRS 102.

From 1 April 2014, in accordance with FRS 102, the past service contributions of the Social Housing Pension are now recognised as liabilities, split between current and non-current liabilities. Employer payments are made in line with the annual schedule of contributions: an element of these are offset against the liability, and an element is recognised through an interest charge.

## **(8) Major Repairs and Improvements**

Expenditure incurred relating to improvements, defined as an increase in the net rental stream or the life of a property in the SORP, are capitalised as components. The carrying amount of components replaced is written off to operating expenditure.

Expenditure incurred on other major repairs, cyclical and day-to-day repairs to housing properties is charged to the Statement of Comprehensive Income in the period in which it is incurred.

## **(9) Taxation**

The Association has charitable status and no liability to Corporation tax arises on its surplus for the year. For the same reasons, no provision is made for deferred taxation.

## **(10) Value Added Tax**

PCHA is registered for VAT. A large proportion of its income, including rents, is exempt from VAT. Most of its expenditure is therefore subject to VAT which

cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any VAT recovered under the partial exemption calculation is credited to the Statement of Comprehensive Income.

## **(11) Bad and Doubtful Debts**

PCHA provides against rent arrears of current and former tenants and other trade debtors to the extent that they are considered to be irrecoverable.

## **(12) Finance Leases**

Assets held under finance leases are recorded in the Statement of Financial Position as fixed assets and as an obligation to pay future rentals.

## **(13) Operating Leases**

The rental payments on operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

## **(14) Recycling of Capital Grant**

Where social housing grant is recycled the SHG is credited to a fund, which appears as a creditor until spent.

## **(15) Finance Costs**

Finance costs include interest, arrangement fees and non-utilisation fees. All costs are written off over the period of the loan, except that interest is capitalised on loans financing schemes in the course of development as explained in accounting policy note 5.

Also included within finance costs is interest in respect of the defined benefit pension schemes. A pension interest charge is included in respect of the unwinding of the Social Housing Pension Scheme. An interest expense is also included in respect of the Local Government Pension scheme following an actuarial valuation.

## **(16) Housing loans**

Housing loans are classified as creditors and are held at amortised cost using the effective rate of interest.

### (17) Properties Managed by Agents

Where the Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the Statement of Comprehensive Income.

Where the agency carries the majority of the financial risk, the Statement of Comprehensive Income includes only that income and expenditure which relates solely to the Association.

In both cases, the assets and associated liabilities are included in the Statement of Financial Position.

### (18) Supporting People

This income includes Supporting People (SP) contract income received from Administering Authorities, plus support charges to individual tenants. When accounted for as part of rent, the income is shown as 'charges for support services' in income from Social Housing Lettings. The related costs are shown as 'support' expenditure in expenditure from Social Housing Lettings.

If the charges to individuals are not dealt with as part of rent, the income and related costs are shown as 'other supporting people income' in Other Social Housing Activities.

SP contract income received from Administering Authorities and not dealt with as part of the rent, is shown as 'Supporting People contract income' in Other Social Housing Activities.

### (19) Service Charges

The Association operates fixed service charges on a scheme by scheme basis in line with tenancy agreements.

### (20) Impairment

Properties held for their social benefit are not held solely for the cash inflows they generate and are held for their service potential.

An assessment is made at each reporting date as to whether an indicator of impairment exists. If such an indicator exists, an impairment assessment is carried out and an estimate of the recoverable amount of the asset is made. Where the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognised in surplus or deficit in the Statement of Comprehensive Income. The recoverable amount of an asset is the higher of its value in use and fair value less costs to sell. Where assets are held for their service potential, value in use is determined by the present value of the asset's remaining service potential plus the net amount expected to be received from its disposal. Depreciated replacement cost is taken as a suitable measurement model.

An impairment loss is reversed if the reasons for the impairment loss have ceased to apply and included in surplus or deficit in the Statement of Comprehensive Income.

#### *Impairment of social housing properties – significant management judgements*

PCHA has to make an assessment as to whether indicators of impairment exist. In making the judgement, management considered the detailed criteria set out in the SORP.

From 1 April 2016, PCHA reduced social housing general needs rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with Welfare Reform and Work Act 2016. It is also expected that all supported housing rents (primarily Independent Living) will also be reduced by 1% per annum for the 4 year period from 2017/18 to 2020/21. Despite cost efficiency savings and other changes to PCHA's business, compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This is a trigger for impairment.

In accordance with paragraphs 14.43 to 14.45 of the Housing SORP 2014, PHG is required to make the following disclosure:

- a) judgements made in defining the Cash Generating Unit (CGU) used for this test has been assumed as the various schemes that make up the fixed asset portfolio. Assets are recognised as schemes when they are normally, developed as a group, and as such, the cash flows are related.
- b) estimation technique and judgement used in measuring recoverable amount – the recoverable amount has been calculated as the greater of the fair value less costs to sell, and then value in use of the assets. The recoverable value has been assumed to be held at the value in use – service potential.
- c) when Value In Use - Service Potential (VIU-SP) is used to estimate the recoverable amount, the key assumptions used and details of the method used. VIU-SP is calculated as the lower of the cost of purchasing a replacement or constructing a social housing property.

PCHA estimated the recoverable amount of its housing properties and determined that 1 further impairment adjustment was required (2016: Nil).

The process consisted of firstly reviewing if there were any indicators of impairment, which for the majority of our general needs and independent living properties, was triggered by the Government announcement of a 1% reduction in rents. Other factors such as voids and performance issues were also considered.

If an indication of impairment was identified, then the process consisted of reviewing the net book value against a number of factors, ranging from open market value, replacement cost and the net present value of all future cash flow associated with the asset in order to determine the net present value.

Following a review of all assets, with the exception of the 1 property noted above, there were no further instances identified where the net book value was greater than the recoverable value. For property identified, the NBV was reduced down to the recoverable value.

## ***(21) Join Venture Accounting***

PCHA includes a third share of Leeds Independent Living Accommodation Company Holdings Limited (LiLAC), which is a joint venture contracted through a PFI arrangement. To account for this, liabilities are recognised as an investment balance in the accounts of PCHA and a third share of LiLAC's assets and liabilities in the Group consolidated Financial Statements.

The LiLAC PFI company is the fixed interest rate payer of free-standing interest rate swap. Due to falls in variable interest rates, that swap is 'out of the money' for LiLAC Holdings, so the fair value of the swap is a liability. Under the new accounting rules in FRS102, this liability is recognised, in its financial statements. As a result the group has recognised a liability for the difference between its investment in LiLAC and its share of the fair value of its share of the liability on the swap.

## ***(22) Service Concession Arrangements***

PCHA elected to take the 'first time adopter' exemption permitted by para 35.10(i) of FRS 102 to continue to account for Service Concession Arrangements that were in existence at the date of transition, under the pre 1st April 2016 UK GAAP methodology.

## 2. Turnover, Operating Expenditure and Operating Surpluses

2017

	Turnover	Operating Expenditure	Operating Surplus
	£'000	£'000	£'000
<b>Social Housing Lettings (note 3a)</b>	28,138	(21,234)	6,904
<b>Other Social Housing Activities (note 3b)</b>			
Supporting People	200	(176)	24
Other Income	224	-	224
<b>Non Social Housing Activities (note 3c)</b>			
Other	3,647	(3,570)	77
<b>Total</b>	<b>32,209</b>	<b>(24,980)</b>	<b>7,229</b>

2016

	Turnover	Operating Expenditure	Operating Surplus/
	£'000	£'000	£'000
<b>Social Housing Lettings (note 3a)</b>	27,974	(22,067)	5,907
<b>Other Social Housing Activities (note 3b)</b>			
Supporting People	206	(162)	44
Other Income	239	-	239
<b>Non Social Housing Activities (note 3c)</b>			
Other	3,587	(2,553)	1,034
<b>Total</b>	<b>32,007</b>	<b>(24,782)</b>	<b>7,224</b>

### 3(a). Income and expenditure from social housing lettings

	Supported housing £'000	Shared ownership £'000	Total 2017 £'000	Total 2016 £'000
<b>Income</b>				
Rent receivable net of identifiable service charges	22,091	276	22,367	22,308
Service charge income	4,437	11	4,449	4,411
Void guarantees and revenue grants	1,225	-	1,225	1,177
Other income	97	-	97	77
<b>Turnover from social housing lettings</b>	<b>27,851</b>	<b>287</b>	<b>28,138</b>	<b>27,974</b>
<b>Expenditure</b>				
Management	(2,417)	-	(2,417)	(3,018)
Service and support costs	(5,346)	(9)	(5,354)	(5,339)
Routine maintenance	(4,091)	(18)	(4,109)	(4,450)
Planned maintenance	(687)	(10)	(697)	(638)
Major repairs expenditure	(1,068)	(1)	(1,069)	(1,400)
Bad debts	(34)	-	(34)	(25)
Property operating lease charges	(3,752)	-	(3,752)	(3,749)
Depreciation of housing properties	(2,180)	(22)	(2,202)	(2,136)
Impairment of housing properties	(153)	-	(153)	(334)
Other costs	(1,445)	(2)	(1,447)	(979)
<b>Operating costs on social housing lettings</b>	<b>(21,173)</b>	<b>(61)</b>	<b>(21,234)</b>	<b>(22,067)</b>
<b>Operating surplus on lettings activities</b>	<b>6,678</b>	<b>226</b>	<b>6,904</b>	<b>5,907</b>
Void losses (included within turnover)	(2,304)	-	(2,304)	(2,268)

A number of the void losses above are subject to agreements where Group is compensated for its losses. These void guarantees, which are not included in the void losses above, are chargeable to third parties in the year and totalled £1.2m (2016: £1.1m).

Impairment charges include impairment of previously revalued housing properties. There is a transfer from revaluation reserves of £0.1m (2016: £0.2m) which appears as a credit below operating surplus in the Statement of Comprehensive Income. The impairment on a historic cost basis is £0.02m (2016: £0.2m)

### 3(b). Turnover From Other Social Housing Activities

	2017 £'000	2016 £'000
<b>Other</b>		
Supporting People	200	206
Management fee from other group companies	224	239
	<b>424</b>	<b>446</b>

### 3(c). Turnover From Non Social Housing Activities

	2017	2016
	£'000	£'000
<b>Other</b>		
Key worker accommodation	3,370	3,287
Income from leased out properties	276	300
	<b>3,647</b>	<b>3,587</b>

### 4. Accommodation in Management

	2017	2016
	No.	No.
<b>Social housing</b>		
Supported housing operating under a PFI service concession	315	315
Low cost home ownership	25	28
Supported housing	2,221	2,229
<b>Total social housing</b>	<b>2,561</b>	<b>2,572</b>
<b>Non social housing</b>		
Key worker accommodation operated under a service concession	573	573
Other	13	13
<b>Total non social housing</b>	<b>586</b>	<b>586</b>
<b>Total owned and managed</b>	<b>3,147</b>	<b>3,158</b>

Supported housing units represent the number of tenancies, rather than the number of properties, as some properties are shared by up to four tenants. The Association owns 28 properties (2016: 36) that are managed on its behalf, under management agreements, by other bodies. The Association manages 180 properties on behalf of another Group company. The Association receives a management fee.

### 5. Surplus for the year

	2017	2016
	£'000	£'000
Is stated after charging:		
Auditor's remuneration (excluding VAT)		
In their capacity as auditors	12	13
In respect of other services	2	2
Depreciation of tangible fixed assets		
- Housing properties	2,964	2,897
- Other fixed assets	15	15
Impairment on historic cost basis	20	161
Impairment on previously revalued amounts	134	172
Hire of other assets - operating leases		
- Housing properties	3,752	3,749
- Other fixed assets	14	13

## 6. (Loss) / gain on disposal of property, plant and equipment

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Sale proceeds	527	1,338
Cost of sales	(457)	(1,241)
Operating costs associated with sales	(91)	(68)
	<hr/>	<hr/>
(Loss) / gain on disposals	(39)	29
	<hr/>	<hr/>

Impairment charges of £0.3m (2016: £0.3m) have been accounted for in current and prior years on housing properties disposed of in the year.

## 7. Interest receivable

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	14	10
Interest receivable from group companies	262	183
Interest on loan to joint venture company	225	225
	<hr/>	<hr/>
	<b>502</b>	<b>418</b>
	<hr/>	<hr/>

## 8. Interest and financing costs

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans:		
Repaid during the year	84	-
Repayable within 1 year	-	-
Repayable within 1 & 2 years	112	111
Repayable within 2 & 5 years	475	443
Repayable wholly or partly in more than 5 years	3,389	3,697
Other finance charges from group companies on finance leases	567	568
Amortisation of loan issue costs	25	23
Financing costs	110	-
Pension scheme finance costs	34	46
	<hr/>	<hr/>
	4,798	4,887
Less: Interest capitalised	(23)	(48)
	<hr/>	<hr/>
	<b>4,775</b>	<b>4,839</b>
	<hr/>	<hr/>

Interest has been capitalised at 4.24% in the year.

## 9. Tangible Fixed Assets - Housing Properties

Group	Housing Properties Completed	Housing Properties Under Construction	Shared Ownership Completed	Shared Ownership Under Construction	2017 Total	2016 Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>						
At 1 April	194,600	310	2,159	-	197,068	196,259
Additions	626	1,726	-	5	2,357	2,824
Transferred on completion	393	(393)	-	-	-	-
Disposals	(1,146)	-	-	-	(1,146)	(2,015)
<b>As at 31 March</b>	<b>194,473</b>	<b>1,643</b>	<b>2,159</b>	<b>5</b>	<b>198,279</b>	<b>197,068</b>
<b>Depreciation</b>						
At 1 April	26,090	-	129	-	26,219	23,762
Charge for the year	2,854	-	18	-	2,872	2,852
Depreciation on disposals	(325)	-	-	-	(325)	(401)
Impairment	(99)	-	-	-	(99)	7
<b>As at 31 March</b>	<b>28,520</b>	<b>-</b>	<b>148</b>	<b>-</b>	<b>28,667</b>	<b>26,220</b>
<b>NBV</b>						
As at 1 April	168,510	310	2,029	-	170,849	172,497
<b>As at 31 March</b>	<b>165,953</b>	<b>1,643</b>	<b>2,011</b>	<b>5</b>	<b>169,612</b>	<b>170,849</b>

The value of secured properties (including charged to 3rd parties) is £128.1m (2016:£137m)

The above cost in respect of Housing Properties completed comprises:

	Housing Properties Completed		Shared Ownership	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Freehold Properties	12,315	156,005	2,011	2,029
Long-leasehold Properties	165,953	12,504	-	-
<b>Total</b>	<b>178,268</b>	<b>168,510</b>	<b>2,011</b>	<b>2,029</b>

On adoption of FRS 102, the accounting policy has changed to frozen valuation. However, the valuation of the housing properties is stated below for information.

	2017	2016
	£'000	£'000
Latest EUV-SH Valuation @ March 14	174,665	173,562

Capital additions include £23k (2016: £48k) of interest capitalised at 4.24% in the year. Property costs include an apportionment of development staff time directly spent on the administration of development activities amounting to £67k (2016: £114k) and on in-house legal costs amounting to £5k (2016: £4k).

## 9. Tangible Fixed Assets - Housing Properties (cont.)

### Major Repairs, Renewals and Improvements

	2017 £'000	2016 £'000
Capitalised components	561	338
Capitalised structure	65	31
Charged to revenue	1,125	1,092
	<b>1,751</b>	<b>1,461</b>

## 10. Tangible Fixed Assets - Other

	Leasehold Office Properties £'000	Office Fixtures & Fittings £'000	Scheme Fixtures £'000	2017 Total £'000	2016 Total £'000
<b>Cost or valuation</b>					
<b>At 31 March</b>	<b>288</b>	<b>21</b>	<b>27</b>	<b>336</b>	<b>336</b>
<b>Depreciation</b>					
At 1 April	53	21	8	82	67
Charge for the year	10	-	5	15	15
<b>At 31 March</b>	<b>63</b>	<b>21</b>	<b>13</b>	<b>97</b>	<b>82</b>
<b>NBV</b>					
At 1 April	235	-	19	254	269
<b>At 31 March</b>	<b>225</b>	<b>-</b>	<b>14</b>	<b>239</b>	<b>254</b>

All of the assets above are held at cost less accumulated depreciation.

## 11. Fixed Asset Investment

Progress Care Housing Association holds 33.3% (£333k) of the equity share capital of Leeds Independent Living Accommodation Company Holdings Ltd, a private finance initiative commissioned by Leeds City Council to fund the re-provision of accommodation for independent living. This is a joint venture with two other shareholders, Civic PFI Investments Limited and Jack Lunn (Properties) Ltd, each hold 33.3% of the equity share capital.

The balance of the sub-debt investment at March 2017 is £1,829k (2016: £1,855k).

Progress Care Housing Association received interest receivable on its unsecured subordinated debt investment in the year of £0.2m (2016: £0.2m) and capital repayments of £0.03m (2016: £0.02m).

## 12. Debtors

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<b>Amounts falling due within one year</b>		
Rent and service charge arrears	1,384	1,417
Less provision for rental bad debts	(69)	(72)
	<u>1,314</u>	<u>1,345</u>
Trade debtors	738	502
Amounts owed by group companies	-	596
Prepayments and accrued income	858	581
Less provision for sundry bad debts	(83)	(151)
	<u>1,513</u>	<u>1,528</u>
	<b><u>2,828</u></b>	<b><u>2,873</u></b>

## 13. Current Asset Investments

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Bank deposits accessible on demand	4,848	1,801
Short-term loans owed by group companies	5,400	5,400
	<b><u>10,248</u></b>	<b><u>7,201</u></b>

## 14. Creditors: amounts falling due within one year

	<b>Notes</b>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
Obligations under finance leases	<b>15</b>	3	3
Rent and service charge received in advance		301	328
Government grants in relation to assets	<b>15</b>	4	-
Trade creditors		574	289
Accruals and deferred income		1,809	1,672
Amount owed to group companies		219	185
Pension deficit liability	<b>22</b>	22	19
Other current liabilities		168	184
		<u>3,099</u>	<u>2,680</u>

Bank balances substantially relate to un-cleared payments.  
Standard payment terms are 30 days from date of invoice.

## 15. Creditors: amounts falling due after more than one year:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans	91,167	93,084
Obligations under finance leases	7,823	7,826
	<b>98,990</b>	<b>100,910</b>

### Maturity of debt

Bank and building society loans repayable in instalments as follows:

	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Between one and two years	2,592	2,449
Between two and five years	10,941	9,732
After five years	78,006	81,300
Total loans	91,539	93,480
Less loan issue costs	(371)	(397)
	<b>91,167</b>	<b>93,084</b>

Housing loans are secured by fixed charges on the Associations' assets. They include fixed and variable rate loans, at various rates, between 0.97% and 5.67%

Progress Care Housing Association has committed undrawn facilities of up to £32.5m as part of a joint facility with related companies.

<b>Net finance lease obligations</b>	<b>Notes</b>	<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
Within one year	<b>14</b>	3	3
Between two and five years		13	13
After five years		7,810	7,813
		<b>7,826</b>	<b>7,828</b>

<b>Government grants in relation to housing assets</b>		<b>2017</b>	<b>2016</b>
		<b>£'000</b>	<b>£'000</b>
Deferred income - Government grants At 1 April		-	-
Grants receivable		300	-
Amortisation to Statement of Comprehensive Income		-	-
<b>At 31 March</b>		<b>300</b>	<b>-</b>
<b>Due within one year</b>	<b>14</b>	<b>4</b>	<b>-</b>
<b>Due after one year</b>		<b>296</b>	<b>-</b>

Reserves in the Statement of Financial Position include £28.9m (£29.2m at transition of FRS102 at 1 April 2014) of Financial Assistance and Government Grants. Nil has been recognised in the Statement of Comprehensive Income since transition of FRS102.

## 16. Non-Equity Share Capital

	2016	2015
	£	£
Allotted Issued and Fully Paid:		
At 1 April	9	10
Issued during the year	5	-
Surrendered during the year	(5)	(1)
<b>At 31 March</b>	<b>9</b>	<b>9</b>

The shareholders do not have a right to any dividend or distribution upon winding-up. Each shareholder has full voting rights and £1 non equity shares.

## 17. Capital Commitments

	2017	2016
	£'000	£'000
Capital expenditure contracted but not provided for in the financial statements	80	578
Capital expenditure that has been authorised by the board of Directors but has not yet been contracted for	2,455	56
	<b>2,535</b>	<b>634</b>

	2017	2016
	£'000	£'000
Progress Care Housing Association expects the contracted commitments to be financed with:		
Committed loan facilities and free cash flow	2,535	634
	<b>2,535</b>	<b>634</b>

Commitments for payables and receivables under non-cancellable operating leases are analysed below:

	<b>Housing Properties</b>	
	2017	2016
	£'000	£'000
<b>Leased from external bodies</b>		
Break Clause:		
Not later than one year	3,446	3,453
Later than one year and not later than five years	3,419	4,193
Later than five years	1,831	1,937
	<b>8,697</b>	<b>9,583</b>

	<b>Housing Properties</b>	
	2017	2016
	£'000	£'000
<b>Leased to external bodies</b>		
Break Clause:		
Not later than one year	342	364
Later than one year and not later than five years	687	808
Later than five years	219	254
	<b>1,248</b>	<b>1,426</b>

## 18. Employee Information

The average number of full-time equivalent persons employed during the year was:

	2017 No.	2016 No.
Office staff	42	50
Staff providing tenant services	11	11
	<b>53</b>	<b>61</b>

Full-time equivalents are calculated based on a standard working week of 36.25 hours.

### Staff costs (for the above persons)

	2017 £'000	2016 £'000
Wages & Salaries	1,558	1,821
Social security costs	142	133
Other pension costs	136	221
	<b>1,837</b>	<b>2,175</b>

Above wages and salary costs include £53k (2016 : £129k) of restructuring costs.

### Remuneration bandings for all employees earning over £60,000:

	2017	2016
£60,000 - £70,000	-	1
£70,001 - £80,000	-	1
£80,001 - £90,000	1	1
	<b>1</b>	<b>3</b>

Remuneration for the above includes salaries, bonuses, benefits in kind and compensation for loss of office.

## 19. Cash Flow Statement Notes

	1 April £'000	Cash Flows £'000	Other Changes £'000	31 March £'000
<b>Analysis of net debt</b>				
Cash in hand, at bank and overdrafts	522	(475)	-	47
	522	(475)	-	47
Current asset investments	7,201	3,048	-	10,248
Debt due after one year	(100,910)	1,945	(25)	(98,990)
Total	<b>(93,187)</b>	<b>4,518</b>	<b>(25)</b>	<b>(88,695)</b>

Other changes relate to amortisation of borrowing costs (see Note 15).

## 21. Related Party Transactions

At the end of the financial year there were no members of the boards who were tenants of the Group (2016: 6). The Group does not report any intercompany transactions under the exemption 33.1a of FRS 102.

## 22. Ultimate Parent Company

The Association's ultimate parent company is Progress Housing Group Limited. Progress Housing Group Limited consolidated financial statements can be obtained from the Group's website or from the Company Secretary at the registered office:

Sumner House  
21 King Street  
Leyland  
PR25 2LW

## 23. Pension Obligations

The Group participates in two pension schemes, Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme administered by the Pensions Trust. The LCC is a defined benefit scheme and SHPS has both defined benefit streams and defined contribution streams within its scheme, and detailed regulations govern the rates of pension contribution by both employees and the Group. Benefits are normally in the form of a lump sum retirement grant plus an annual pension.

As a responsible employer, the Group's strategy is to proactively manage defined-benefit pension scheme deficits by taking the following steps, whilst ensuring the pension offered is competitive.

- ◆ Closing both its multi-employer, defined benefit pension schemes to new membership in 2009, reduced from 206 employees in 2009 to 133 employees in 2017
- ◆ Increasing employer contributions beyond those actuarially assessed
- ◆ Making additional lump sum payments to the Lancashire Local Government Pension scheme, where indicated by actuarial assessment
- ◆ Making a good quality defined contribution scheme available for all new starters.

Employer's contributions are based on percentages of employees' earnings as recommended by the actuary of the fund in his valuation. The ability of the pension funds to provide statutory benefits is assessed every three years by an independent professionally qualified actuary, and employer's contributions are reviewed in light of the actuary's report.

Pension Liabilities:	Note	2017 £'000	2016 £'000
Lancashire County Pension Fund		1,002	914
Social Housing Pension Scheme		173	189
		<b>1,175</b>	<b>1,103</b>
Creditors : Amounts falling due within one year	<b>14</b>	22	19
Pension liabilities		1,153	1,084
		<b>1,175</b>	<b>1,103</b>

### LANCASHIRE COUNTY PENSION FUND

The most recent full actuarial valuation of the fund was as at 31 March 2016, the results of which were:

Valuation Method	Projected Unit
Value of Assets	£6,036 million

The Group's employers' contributions to the fund during the year were 15.9% of pensionable salary in the year, and amounted to £913,901. The following table details the numbers of staff who are members of the fund. The Group parent, Progress Housing Group Limited and Progress Care Housing Association paid an additional £250k each at the end of March 2017 (2016: £500k) into the fund beyond the actuarially assessed contributions.

## 23. Pension Obligations (cont.)

	Employers' Contributions		No. Staff	
	2017	2016	2017	2016
	£	£		
New Progress Housing Association	55,135	86,452	16	20
Progress Care Housing Association	84,569	108,497	13	20
Progress Housing Group	600,496	843,688	104	121
Discretionary Additional Contribution	500,000	500,000	-	-
Total Group	1,240,201	1,538,638	133	161

Actuarial assumptions	At 31/03/17	At 31/03/16
Rate of CPI Inflation	2.30%	2.00%
Rate of Increase in Salaries	3.80%	3.50%
Rate of Increase in Pensions	2.30%	2.00%
Discount Rate	2.50%	3.30%

Asset information	Market Value at 31 March 2017 £'000		Market Value at 31 March 2016 £'000	
		% Split of Assets		% Split of Assets
Equities	-	0.00	12,929	34.40
Government Bonds	1,014	2.00	752	2.00
Other Bonds	811	1.60	752	2.00
Property	4,462	8.80	3,608	9.60
Cash/Liquidity	558	1.10	1,278	3.40
Other (includes Credit funds, Overseas pooled & Private equity funds, Infrastructure)	43,859	86.50	18,267	48.60
Total Market Value of Assets	50,704	100.00	37,586	100.00
Present Value of Scheme Liabilities	63,086		45,321	
Net Pension Liability before tax asset	(12,382)		(7,735)	
PCHA Allocation	(1,002)		(914)	

## 23. Pension Obligations (cont.)

The following disclosures relate to the Group as a whole (excl NFH):

<b>Balance sheet items as at 31 March</b>	<b>2017</b>	<b>2016</b>		
	<b>£'000</b>	<b>£'000</b>		
Present value of funded benefit obligations	62,989	45,088		
Present value of unfunded benefit obligations	97	233		
Total present value of benefit obligations	<u>63,086</u>	<u>45,321</u>		
Fair value of plan assets	<u>(50,704)</u>	<u>(37,586)</u>		
<b>Deficit before deferred tax asset</b>	<b>12,382</b>	<b>7,735</b>		
<b>Components of pension cost for period to 31 March</b>	<b>2017</b>	<b>2016</b>		
	<b>£'000</b>	<b>£'000</b>		
Current Service Cost	1,051	1,349		
Net Interest Cost	251	343		
Admin Expenses	23	22		
Curtailments	132	-		
<b>Total pension cost recognised in income &amp; expenditure</b>	<b>1,457</b>	<b>1,714</b>		
<b>Statement of recognised total recognised surpluses and deficits</b>				
Remeasurements (liabilities & assets)	4,702	(3,400)		
<b>Total remeasurements included in Statement of Comprehensive Income</b>	<b>4,702</b>	<b>(3,400)</b>		
<b>Change in benefit obligation during period to 31 March</b>	<b>2017</b>	<b>2016</b>		
	<b>£'000</b>	<b>£'000</b>		
	<b>Unfunded Benefits</b>	<b>All Benefits</b>		
	<b>Unfunded Benefits</b>	<b>All Benefits</b>		
Benefit obligation at beginning of period	233	45,321	239	45,954
Current service cost	-	1,051	-	1,349
Interest on pension liabilities	9	1,616	8	1,505
Member contributions	-	330	-	396
Remeasurements (gain) / loss on assumptions	(139)	15,841	(8)	(2,864)
Benefits/transfers paid	(6)	(1,205)	(6)	(1,019)
Curtailments	-	132	-	-
Benefit obligation at end of period	<u>97</u>	<u>63,086</u>	<u>233</u>	<u>45,321</u>

## 23. Pension Obligations (cont.)

The following disclosures relate to the Group as a whole (excl NFH):

Change in plan assets during period to 31 March	2017		2016	
	Unfunded Benefits	£'000 All Benefits	Unfunded Benefits	£'000 All Benefits
Fair value of plan assets at beginning of period	-	37,586	-	34,988
Interest on plan assets	-	1,365	-	1,162
Remeasurements assets	-	11,139	-	536
Admin expenses	-	(23)	-	(22)
Employer contributions	6	1,512	6	1,545
Member contributions	-	330	-	396
Benefits/transfers paid	(6)	(1,205)	(6)	(1,019)
Fair value of plan assets at end of period	-	50,704	-	37,586
Actual return on plan assets		7,361		1,699

### Post retirement mortality assumptions

Non-retired members	S2PA CMI_2015 [1.5%] (98% Males, 89% Females)	S1PA CMI_2012 [1.5%] (100% Males, 98% Females)
Retired members	S2PA CMI_2015 [1.5%] (99% Males, 93% Females)	S1PA CMI_2012 [1.5%] (100% Males, 98% Females)

### Life expectancy

of a male (female) future pensioner aged 65 in 20 years time	24.9 (27.9) years	25.2 (27.9) years
of a male (female) current pensioner aged 65	22.6 (25.2) years	23 (25.6) years

<b>Market value of total fund assets (£ millions)</b>	<b>7,116</b>	<b>5,788</b>
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## 24. Social Housing Pension Scheme

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123m, liabilities of £4,446m and a deficit of £1,323m. To eliminate this funding shortfall, the trustees and the participating employers have agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

### Deficit contributions

**Tier 1 From 1 April 2016 to 30 September 2020:**

£40.6 million per annum (payable monthly and increasing by 4.7% each year on 1 April)

**Tier 2 From 1 April 2016 to 30 September 2023:**

£28.6 million per annum (payable monthly and increasing by 4.7% each year on 1 April)

**Tier 3 From 1 April 2016 to 30 September 2026:**

£32.7 million per annum (payable monthly and increasing by 3% each year on 1 April)

**Tier 4 From 1 April 2016 to 30 September 2026:**

£31.7 million per annum (payable monthly and increasing by 3.0% each year on 1 April)

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

## 24. Social Housing Pension Scheme (cont.)

Progress Housing Group participates in the SHPs defined benefit scheme which is in deficit and members of the Group have agreed to a deficit funding agreement and therefore the Group recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Details of the amounts recognised are shown below:

	As at 31 March 2017 £'000	As at 1 April 2016 £'000
Present value of provision	<b>173</b>	<b>189</b>
<b>Reconciliation of opening and closing provisions</b>		
Provision at 1 April	189	147
Unwinding of the discount (interest expense)	3	3
Deficit contributions paid	(23)	(17)
Remeasurements - impact of change in assumptions	4	(1)
Remeasurements - amendments to the contribution schedule	-	57
Provision at 31 March	<b>173</b>	<b>189</b>
Creditors : Amounts falling due within one year	<b>14</b> 22	19
Pension liabilities	151	170
	<b>173</b>	<b>189</b>
<b>Income and expenditure impact</b>		
Interest expense	3	3
Remeasurements - impact of change in assumptions	4	(1)
Remeasurements - amendments to the contribution schedule	-	57
	<b>7</b>	<b>59</b>
<b>Assumptions</b>		
Rate of discount used	<b>1.33%</b>	<b>2.06%</b>



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**Progress Care Housing Association**

An exempt charity registered under the Co-operative and  
Community Benefit Societies Act 2014 registered with the  
Financial Conduct Authority No. 28761R  
and with the Homes and Communities Agency LH4188.

**VAT registration number 712 6635 46.**

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