CONSOLIDATED & COMPANY

Annual Accounts 2018

Financial Statements for the year ended
31 March 2018

Co-operative and Community Benefit Society (FCA) No: 28685R
Regulator of Social Housing No: LH4189

Contents

Members of the Board of Management and Executive Officers

Members of the Board of Management

S Bridgen	#
M Clarke	#
G Furlong	* retired 4 September 2017
A Greenhill	#
J Hale	Chair
P Hodgett	resigned 8 January 2018
S Horrill*	* resigned 30 September 2017
L Liles	* appointed 4 September 2017
R Talbot	* appointed 4 September 2017
I Wilson	
N Wright	appointed 4 September 2017

The following serve as independent members of the Group's Committees and are not Directors of any Registered Provider within the Group:

D Shackleton	*
K Grogan	##
S Horrill	*
B Ricketts	**

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.

Company Secretary

M Stevenson	resigned 31 March 2018
D Atherton	appointed 1 April 2018

Registered Office

Sumner House, 21 King Street, Leyland, Lancashire, PR25 2LW

Executive Officers

J M De Rose BSc MCIH	Group Chief Executive
A Speer MBA, ACMA, BA (Hons)	Executive Director (Finance & Corporate Services)
B Keenan BA (Hons), MCIH	Deputy Chief Executive and Executive Director (Services & Growth)
E Tamanis BA (Hons) ACMA	Executive Director (resigned 30 June 2017)
M Stevenson LLB (Hons)	Legal Director Solicitor

Auditors

BDO 3 Hardman Street, Manchester, M3 3AT

Company Details

Co-operative and Community Benefit Society (FCA) No: 28761R
Regulator of Social Housing No: LH4188

Five year financial highlights

For the financial years ended 31 March 2018	FRS102 2018 £'000	FRS102 2017 £'000	FRS102 2016 £'000	Restated# FRS102 2015 £'000	OLD UK GAAP 2014 £'000
Statement of Comprehensive Income					
Turnover	74,072	74,513	72,386	71,411	68,842
Depreciation	9,355	9,036	8,667	8,337	5,696
Impairment (see below) ##	658	349	1,839	1,461	288
Operating Surplus	18,476	21,847	18,523	20,781	23,000
Interest and financing costs	(10,172)	(11,409)	(11,707)	(12,317)	(11,716)
Surplus after tax	7,991	9,706	7,214	8,020	11,144
Impairment on historic cost basis	321	48	232	664	288
Impairment on previously revalued amounts	338	300	1,607	797	-
Total Impairment in the Statement of Comprehensive Income	658	348	1,839	1,461	288
Statement of Cashflows					
Cash flow from operating activities	27,694	30,541	31,528	28,135	27,926
Cash flow from investing activities	(8,740)	(6,301)	(12,788)	(16,098)	(22,905)
Cash flow from financing activities	(7,396)	(23,818)	(18,536)	(13,688)	(11,579)
Net debt	(236,750)	(246,007)	(259,154)	(266,511)	(261,986)
Statement of Financial Position					
Tangible Fixed Assets	512,002	511,973	514,694	511,208	502,996
Net Current Assets/(Liabilities)	5,280	1,362	(2,212)	(2,057)	(808)
Debt due after more than one year	246,036	251,454	260,843	266,206	264,930
Pension Liabilities	10,478	12,374	8,586	10,933	6,171
Revaluation reserve	158,136	160,548	162,569	165,876	171,546
Other reserves	90,576	77,483	70,750	57,121	56,761
Key Ratios and Indicators					
Operating margin	25%	29%	26%	29%	33%
Social housing operating margin	25%	29%	25%	28%	33%
Headline social housing cost per unit	4,800	4,541	4,664	4,495	3,214
EBITDA as a % of interest (£000's)	228%	241%	204%	206%	210%
Interest cover	274%	271%	232%	236%	245%
Net surplus as a % of turnover	11%	13%	10%	11%	16%
Gearing ###	47%	51%	52%	53%	54%

# Denotes restatement for FRS102 which replaced the old UK generally accepted accounting practice (GAAP). Therefore 2014 and is not directly comparable with the years 2015 onwards.

Total Impairment is on a deemed cost basis in the years 2015 onwards under FRS102 and under a revaluation basis for the years prior under old UK GAAP.

Debt due after more than one year relates to housing loans and finance leases.

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 consolidated financial statements of the Group and its subsidiary undertakings for the year ended 31 March 2018.

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's Strategic Plan is for the period 2018 to 2022. The plan sets out a series of strategic aims and priorities, each of which will help us to deliver service enhancements and achieve high levels of customer satisfaction within a financially sustainable business model. These aims are backed up by clear performance measures and will be delivered by a dedicated team. Within this plan there are a number of critical success factors. We believe achievement of these critical success factors will enable us to deliver on our Business Plan promises. In the current political and operating environment, we are facing a period of great change and uncertainty, which will bring both opportunities and threats. The plan aims to minimise the threats and make the most of the opportunities.

This business plan sets out six strategic aims and relevant objectives, each of which will help to deliver service enhancements and achieve high levels of customer satisfaction within a financially sustainable business model. Our non-executive directors will monitor progress towards our aims and priorities and will undertake an annual review of the plan. In addition, the organisation will continue to monitor changes in our operating environment in order to manage risk and capitalise on opportunities that fit with the Group's direction. All of the Group's activities are underpinned by our strong belief in equality and diversity.

The first three strategic aims are more outward looking and are drawn directly from our vision:

- Providing more and better homes;
- Supporting individuals and communities to encourage independence; and
- Creating opportunities.

The final three strategic aims are more inward looking and are geared towards ensuring that we have a solid foundation on which to build our success:

- Working as one team;
- Developing a stronger organisation; and
- Putting customers at the heart of what we do.

The business plan sets out the priorities and out-comes and there are a number of measures the Board will use to monitor achievement of these priorities. These priorities are a combination of short, medium and long-term requirements of our business and can be seen in the table below:

Strategic Aim	Critical Success Factors
Providing more and better homes	• Deliver our development strategy including the provision of 1,000 new homes over the next five years to meet the needs of people in our communities and to contribute to new housing provision • Deliver our maintenance plan which will ensure we offer homes of a high standard to meet customer expectations • Deliver our active asset management strategy and approach to remodel, divest or improve our poorer performing stock and ensure our homes continue to be in demand and fit for purpose.

Strategic Aim	Critical Success Factors
Support individuals and communities to support independence	• Grow our support offer to people through Technology Enabled Care and Support services (TECS) in order to target services effectively and support vulnerable people and older people to live independently • Provide specialist support to people who are homeless, threatened with homelessness or escaping domestic abuse and determine how services will be funded in future years • Continue the programme of re-shaping our independent living support services, ensuring that support is both effectively targeted and affordable • Continue to develop supported living accommodation for people with a learning disability or autism and continue our strategy of gradually re-shaping the portfolio to ensure that it will be fit for purpose in the long-term • Continue to provide a range of support services both to our core customers and to the wider community aimed at enhancing good health and wellbeing.
Create opportunities	• Expand our Progress Futures programme in line with a revised strategy, with support from European funding • Implement a revised Community Engagement Strategy and bring our ‘opportunities’ work together in order to maximise outputs and impact • Support the creation of the Youth Zone in Chorley • Support Key Unlocking Futures to continue its work in employment coaching and more generally in its work with young people and families.
Working as one team	• Maintain a strong and effective leadership of the organisation by the Group’s Board • Bring to life the vision for the whole organisation • Continue to ensure that staff know how they are contributing to the Group’s Strategic Business Plan aims and that there are mechanisms available for them to feedback on their own performance and how they are contributing to the organisation’s overall performance • Implement the Progress Together strategy. This incorporates leadership, enabling achievement and strengthening the organisation • Embed our revised Equality and Diversity strategy.
Developing a stronger organisation	• Deliver our key operational performance targets, with particular emphasis on arrears, voids and customer satisfaction • Deliver our key financial performance targets, most importantly our key lender covenants • Provide value for money • Improve productivity through investment in technology and revised processes • Ensure that key risks are properly identified, monitored and managed • Ensure that health and safety remains a major focus in all of our day-to-day and strategic planning activities.
Putting customers at the heart of what we do	• Gain good quality customer insight in a timely manner in order to understand the requirements and expectations of current and future customers and to make informed decisions • Ensure that the customer voice is heard effectively, particularly at non-executive level. Non-executives will use a variety of techniques to have direct contact with customers and/or the customer experience, including the presentation of case studies at board meetings and attendance by tenant scrutiny representatives • Ensure that customers are engaged in scrutinising the services we deliver • Ensure that we measure the effectiveness of and satisfaction with customer engagement activities • Increase the range and accessibility of digital services available to customers.

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 our customers have a good quality home in a welcoming and safe community with excellent services. 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 housing customers and to external organisations and individuals.

Prior to 30 April 2018, the Group structure included three charitable Registered Providers; New Progress Housing Association Limited, Progress Care Housing Association Limited and New Fylde Housing Limited. On 30 April, in order to simplify the Group structure, a Transfer of Engagements of Progress Care Housing Association Limited and New Fylde Housing Limited into New Progress Housing Association Limited completed. New Progress Housing Association Limited changed its name to Progress Housing Association Limited on the same day. Progress Housing Association Limited is a Community Benefit Society.

There is a dormant company which is not planned to operate called New Progress Housing Association. Progress Housing Group Limited is the parent body, together with Key Unlocking Futures Limited which is a charity registered with the Charity Commission and Concert Living Limited which is a company delivering outright property sales.

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

General Needs

We own and manage over 4,650 social and affordable homes to rent so that more people have the opportunity to rent a home for themselves and their family. We mainly operate within South Ribble and Fylde area of the North West of England but also include Cumbria, Accrington, Chorley and Blackpool. Our customer base mainly comprises single person households and families.

Supported Living

We are 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 3,200 units of specialist accommodation in 103 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 supported housing 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 Holdings 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.

Independent Living

We provide affordable and easy to manage homes for people over the age of 55 who want to live independently but without the responsibility of owning their own home. These are services provided over and above general needs housing including support from a scheme manager, inbuilt social alarms and usually a communal space for social activities. We have 31 schemes providing over 1,300 properties in the Fylde and South Ribble areas of Lancashire. Our model will change in the future and we are gradually moving towards a revised model to provide care and support to older people including more personalised and targeted support plans. We will seek to increase the provision of extra care and advanced technology services.

Supported Housing

Supported housing provides short-term accommodation and support to vulnerable client groups such as homeless people, young people at risk of homelessness and women and their children escaping domestic abuse. We have a total of 51 units of accommodation – 18 for young homeless people in Chorley, 22 for homeless people in Preston and 11 for women and children escaping domestic abuse in South Ribble and Chorley. The average length of stay in supported housing is 3 months but can be as short as a few days or up to 2 years. Support is funded by grant from Lancashire County Council. There is high demand for this service with high levels of customer satisfaction.

Shared Ownership

The Group provides accommodation where customers can purchase at least 50% of their home and rent the remaining equity from the Group. We have 122 shared ownership properties with 25 for supported living customers. These properties have a value of £6 million and have been developed since 2006. The Group is, and has not been financially reliant on shared ownership sales to achieve a surplus. Our future strategy includes further development of this property type.

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 in hospitals for key worker staff provides further diversity within the Group's portfolio and is not social housing.

Key Unlocking Futures Limited

Key Unlocking Futures Limited is a charity with the mission to help people build better lives. The charity provides flexible person-centred services to a range of clients across Lancashire. The services include drop-ins for homeless young people, family conflict resolution, family support, tenancy support, pre-tenancy training, employment coaching and young victims support. Key employs 12 full-time staff and casual workers to provide these services. Key shares the overall Group vision, it is not a registered landlord and has its own mission, values and business plan. Funding of the charity is received from a number of short-term contracts with local authorities.

Progress Lifeline and Technology Enabled Care and Support Services

Progress Lifeline (which provides telecare and technology enabled care and support services) has recently completed a successful audit by the Telecare Services Association (TSA) for the new Quality Standards Framework. This confirms for the eleventh year our commitment to providing the highest quality standards for our services. The Progress Lifeline service has been delivering services for over 28 years and is a lead provider for telecare installation, monitoring and response in Lancashire. The service offers a wide range of telecare sensors, as well as its popular Lifeline unit and pendant alarm. Progress Lifeline has a dedicated control centre based in Leyland, Lancashire which is staffed 24 hours a day, 365 days a year. It provides over 20,000 customers with 24 hour emergency assistance and handles over 590,000 calls annually. In order to achieve this prestigious award Progress Lifeline was audited on ten areas of its service including user and carer experience, innovation and continuous improvement.

We also exceeded growth projections and generated in excess of £3.5m per annum in turnover for the Group in 2017/18. These services generate surpluses which help us to cross-subsidise and contribute to our future development of new homes. We have continued to develop an Emergency Home Response service and we now provide the service countywide as well as in Yorkshire, and continue to provide lifting services.

Principal Risks and Uncertainties

In our 2022 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.

An updated strategic risk register has been presented to the Board on a quarterly basis, and a strategic risk assurance map has been presented to the Audit Committee and is subject to regular reviews and updates.

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
Developing a stronger organisation	Inflation risk that if the increase in costs is higher than the increase in income for 2018/19 and 2019/20 the Group could suffer from a reduction in surplus, and could potentially reduce its capacity to deliver its commitments within its 2020 Business Plan.	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 and have identified trigger points within the plans. Reporting process to Board should a trigger occur, at which point one of the Groups' key mitigating strategies would be implemented. Sufficient flexibility within the business plan to deal with a range of scenarios. We have constant and consistent monitoring of trigger points as part of the quarterly management accounts process. A recent government announcement stated that rents would be charged at CPI plus 1% from 2020 with a promise for rents to continue to use this formula for 5 years (until 2025). This now gives 7 years of certainty over rents.
Developing a stronger organisation	The ability for our general needs, supported living and independent 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.	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 and of supported living. We follow our development strategy with actions underway to manage the specific risk in each of the three areas. This includes a move towards general needs smaller accommodation, continuation of our independent living strategy to reduce this accommodation and move more towards self-contained accommodation for supported living. We monitor the number of customers who are potentially affected and promote the work of our financial inclusion team to support our customers, we provide advice to tenants on managing their income. We have reviewed the allocations process and affordability is now taken into account. We have updated the stress testing on our plans to determine the level of bad debts and voids which would affect the business and this has shown an increase of over 18% which is highly unlikely.

Strategic Objective	Risk	Mitigation and Controls
Providing more and better homes	If development for sale activity fails to generate the anticipated revenue, causes the Group to lose money or results in excessive numbers of unsold units this could have an impact on the Group's ability to develop social housing properties.	We have an objective to develop 100 units for outright sale over a period of three years with a maximum investment of £6m. This has been done on a pilot basis to ensure our approach is sustainable. We have recruited Non-Executive Directors and Operational Directors with specific skills both in development for sale and in social housing development delivery to increase resource. We will operate specific stress testing triggers and golden rules to limit exposure on this portfolio.
Support individuals and communities to achieve independence	If the Group does not have adequate arrangements to comply with new statutory H&S requirements, or to respond effectively and efficiently to a H&S incident this would have a significant impact on the Group's reputation and ability to continue to deliver its services.	We have a Business Continuity Plan in place. We have a Health & Safety/Business Continuity working party established to review the Group's arrangements for complying with requirements, its health and safety/ emergency response plans, media handling and communication and health and safety training. We have sufficient flexibility within the financial business plan to allow for remedial works to be undertaken where required, although no specific works have been identified. Mandatory health and safety staff training is operational which is overseen by a dedicated Health and Safety Team.

Long-Term Financial Planning

The Group's latest long-term financial plans show an improvement of the Group's financial position compared to the 2017 plan; this is primarily due to a change in assumptions arising from both the internal and external environment. One of the main changes is the reinstatement of CPI + 1% rent increases from 2021 for a period of 5 years (social rents). In the previous iteration of the long-term plans more prudent assumptions were made following the 4 year rent reduction to 2020. The other main changes are the contribution from Concert Living and a reduction in interest payable as a result of the Group restructure.

The key strategy remains to ensure it is financially strong, respond to economic and political change and continue to deliver quality services to customers. 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, the Group has demonstrated increased resilience, and 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 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 Corporate Services). 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 secured loan facilities totalling £282.8 million of which £32.5m is undrawn facilities fully secured.

Corporate Governance

The Group has adopted the National Housing Federation's (NHF) 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 Regulator'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 Board has overall responsibility for setting the strategic direction of the Group through the corporate business plan and maintains 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.

Progress Housing Group Limited is the non-charitable parent company registered with the Financial Conduct Authority. Progress Housing Association Limited was created 30 April 2018 and is a charitable Registered Provider and is a Community Benefit Society and registered with the Financial Conduct Authority. It has a common Board with Progress Housing Group Limited.

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 Unlocking Futures Limited into the Group's governance structure.

Concert Living Limited is a company established by the Group with the primary purpose of developing homes for open market sale in order to generate a profit, which will be used to fund the Group's core activities, including sub-market rented accommodation. Concert Living is a wholly owned company funded by shares, and is joined to the Group by a Procedure Agreement.

The Group has a number of sub-committees which have delegated authority in a number of areas. Each sub-committee has terms of reference which are approved by the Board of Progress Housing Group Limited. The composition of each sub-committee 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 3 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 processes.

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 the remuneration policy for staff and the Board and other policies as delegated by the Parent. 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 Progress Housing Association Limited.

Concert Living Limited

In line with the business plan agreed by the Parent, two non-executive directors from Progress Housing Group Limited serve on the board of Concert Living. In addition, the Group Chief Executive and Executive Director (Finance & Corporate Services) are members of the board in addition to two independent non-executive directors (one of whom acts as Chair). The board meets approximately 10 times per year and the Parent board receives copies of the minutes at their board meetings in order to maintain a regular overview of business developments.

Directors

The names of the non-executive directors and the independent members who have served during the year are shown on page 1 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 implemented a framework of self-assessment and performance management. There are regular meetings of all subsidiary boards.
- Rules, standing orders, intra-group agreements and financial regulations were all reviewed in 2015/16 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. Whilst no new service reviews have been undertaken during the year, individual service areas continue to be monitored to ensure they are sufficiently resourced to deliver their operational plans and business strategies.

- The Group has appointed employees, consultants and Non-Executive Directors with the required specialist skills to ensure it has the requisite skills to undertake specific business activities.
- The compliance statement (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 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. As well as a strategic level risk map (which is maintained by the Board) a Senior Management Team level risk map and individual operational risk maps are in place and regularly reviewed.
- All decisions being made by the Board are supported with an analysis of the risks.
- A robust framework of financial planning, scenario modelling and stress testing is in place to assess and mitigate strategic risks. The framework is also used to assess risks associated with potential new areas of business.
- The Group has annually updated the 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, focussing 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.
- BDO were appointed as the Group's external auditors on the 4 September 2017 as a result of a periodic procurement review. There were no matters arising within the previous auditor's external auditor's management letter for the year ended March 2017.
- 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 quarterly by the Audit Committee on behalf of the Board, prior to being submitted to the regulator 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 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 undertakes a variety of initiatives to help tackle fuel poverty amongst residents – this includes upgrades to windows and doors, the installation of fuel efficient heating systems and photovoltaic panels have been used on a number of properties. All properties already meet the Decent Homes Standard and have the relevant insulation to walls and roofs. Therefore these initiatives help reduce energy usage.

Employee Involvement

The Group operates its 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 everyday working life at Progress Housing Group. The intranet is available to all staff, whether they are office-based or using a tablet device or mobile phone. In the last year there have been 255,000 visits to today@Progress, 57,000 searches and 16,784 document views. We have published 422 items of news which have been viewed over 63,000 times and our employees have embraced the social feed and created their own news and conversations, with over 780 feed posts and replies and 3,500 likes.

Engagement has been further enhanced at a local level by regular one-to-ones, team meetings and team development days. 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. The annual staff conference is well attended; its focus on internal networking, gaining knowledge about different areas of the business and greater understanding of how we all contributed to the organisation's success received lots of positive feedback. The values continue to be at the heart of the Group and these were brought to life in the Progress Stars awards at the staff conference, which were aligned to the values.

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.

During 2018, as part of its People Strategy, Progress Together, the Group developed its leadership framework, bringing together the behaviours of great leaders, great managers and great coaches. This framework has already helped to heighten self-awareness and will form the basis of development programmes moving forward. The group commissioned its first in-house ILM level 3 apprenticeship in leadership and management and has a cohort of managers registered to start.

Having retained our triennial Investors in People (IIP) accreditation in 2016, the Group ran its staff survey in Autumn 2017 focusing on reward and recognition. The first interim review of the IIP accreditation took place in February 2018 where focus groups were held to discuss, validate and provide feedback on the new leadership framework as well as to seek some practical ideas from staff to act on the findings of the staff survey.

We remain committed to equal opportunities and, once again, a group of employees have participated in the Housing Diversity Network mentoring programme and four senior managers have been mentors on the same programme. The Group continues to be committed to the Disability Confident scheme and continues to guarantee to interview all applicants with disabilities who meet the minimum criteria for a job vacancy.

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

Gender Pay Reporting

Gender pay gap has been reported for Progress Housing Group Ltd, the only Group member with over 250 employees. Employees of Progress Housing Group Ltd. work across a range of functions including corporate services, customer services, control centre, technology enabled care and repairs and maintenance.

Our overall mean gender hourly pay gap is 1.8%, this means overall females are paid £0.28 per hour less than males. Our overall median gender hourly pay gap is 15.1% this means the average female is paid £2.23 per hour less than the average male.

One of our administrative grades, which has its pay scale within the lower quartile and the lower middle quartile, is predominantly occupied by women. There are also some grades which are predominately occupied by men; our qualified trade operatives, for example, are 100% male. There is an equal number of men and women on our Senior Management Team. We continue to appoint based on someone's ability to do the job and we are satisfied that our gender pay data is reflective of under representation of a particular gender in a particular grade rather than any other reason. Whilst we recognise that there are some areas that are underrepresented, through our equality and diversity agenda and programme of Equality Impact Assessments, we continually seek ways to redress any imbalance in the make-up of our workforce.

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. We have used customer insight gained from the STAR survey carried out in March 2017 to identify priorities for our customers.

The information taken from the STAR survey told us that we had four recurring themes:

- First time resolution - be friendly answer questions - keep promises;
- Speed - this is not about doing it quickly it is about giving timescales;
- Inform & Communicate - give timescales and keep the customer informed; and
- Quality - set expectations.

Overall satisfaction was good with areas for improvement recognised. We also recognised our key drivers for change. These are the items which have high importance and slightly lower satisfaction. Our key drivers for change are:

- Dealing with repairs and maintenance;
- Listening to views and acting upon them; and
- Quality of our home.

We have built an action plan around these key drivers so as to use the information effectively to drive change and this will be a key focus over the next 12 months.

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, with an independent advisor supporting them. An assurance review of scrutiny activity was completed by the Group's internal auditor in March 2018 and found no significant risks and made two recommendations. The Scrutiny Pool remains 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 a number of mystery shopping calls, void inspections and mystery shopping web chats carried out and reported on.

The Group aims to create opportunities for all our customers and to do this we use our Progress Futures initiative. This is a free 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.

During the last financial year we were successful in securing over £270,000 in external funding to allow us to expand the service to support more customers to December 2019. This has resulted in us becoming a delivery partner in the Building Better Opportunities (BBO) – Age of Opportunity programme which aims to support individuals aged 50 years and above back into employment by offering additional support and skills.

We are also a partner in More Positive Together – a Lancashire-wide programme which aims to increase the skills and employment prospects of those furthest away from the Labour market. 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

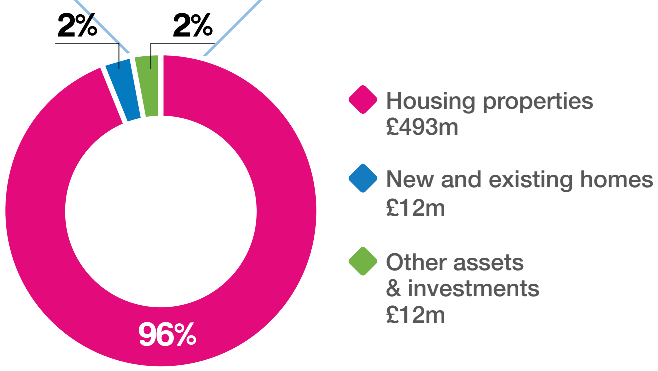
Our financial performance for the year continues to be strong in all areas. Turnover decreased by £0.4m or 0.6%, impacted by a reduction in rents receivable for supported housing and independent living. Operating costs increased by £3.2m or 6% mainly due to increased planned and major repairs expenditure. Cost of sales has decreased by £0.3m, a direct result of lower levels of supported housing and independent living sales activity. Our operating surplus stood at £18.5m compared to £21.8m last year impacted by increased salaries and lifeline costs. The surplus after tax decreased by £1.7m to £8.0m.

The surplus on cash flow from operating activities was £27.7m which financed loan repayments of £6.1m made during the year and development and maintenance investment of £12.7m.

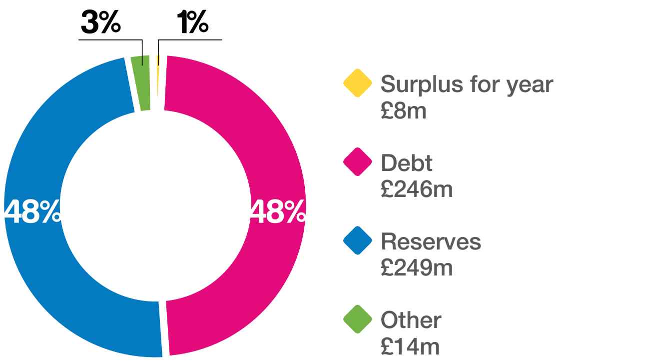
Net tangible fixed assets remained stable at £512m reflecting new developments and replacement of components offset by depreciation. The Group's share of the pension fund deficit for both LGPS and SHPS schemes is £10.5m. Reserves increased by £10.7m due to the surplus made in the year and movements in other provisions. The Group had £249m net assets at the end of the year. Net debt reduced by £9.3m due to loan repayments.

The Group is not for profit, our entire surplus has been, or will be reinvested to run and improve our services. Our total comprehensive income has continued to be steady 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 and maintain our existing properties. 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.

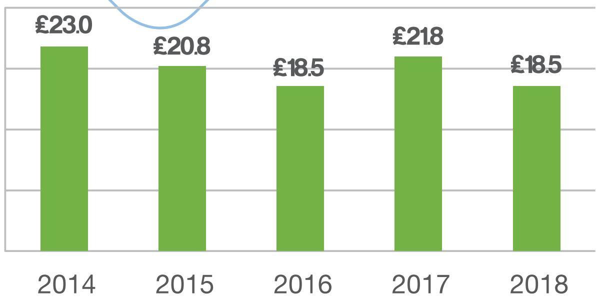
Key Performance Indicators

The Group has a performance management framework that underpins its vision and strategic aims identified within its Strategic Plan to 2022. 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.

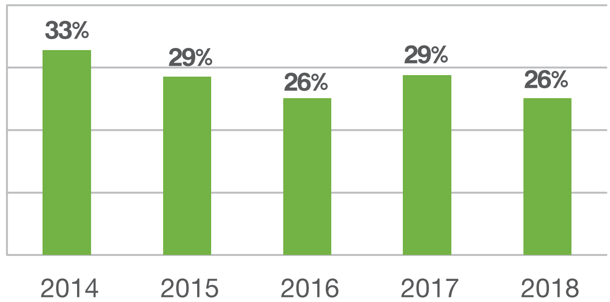
Our Group operational performance in the year remained strong on most of its performance indicators. The Group regularly monitors and reports on key indicators including rent arrears expressed a percentage of rent debit, void losses and repairs. Group year-end arrears performance has exceeded the end of year targets with gross current arrears at 3.4% below the target of 4%. Overall former tenant arrears performance stood at 1% and has exceeded the target by 0.3% with performance remaining stable over the previous 5 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 4.8% against a 5.0% target but rent loss due to voids was 4.5% against a target of 3.7%. Relet times stood at 93.9 days against a target of 86 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 Group 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 FRS102 therefore the year 2014 is not directly comparable.

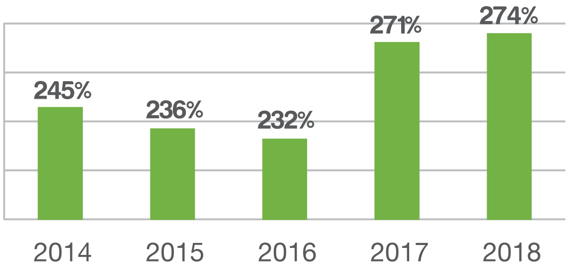
Operating Surplus £m



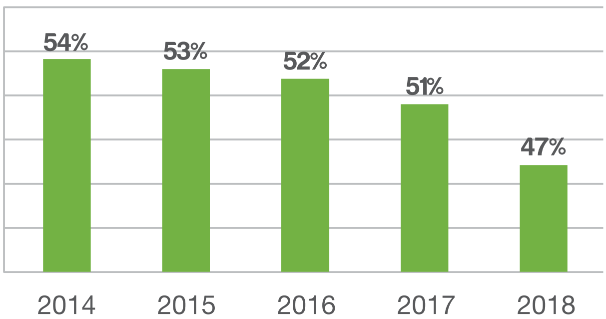
Operating Margin



Interest Cover



Gearing



The Group's underlying financial performance is within target and demonstrates our financial strength and resilience. The loan covenant indicators including interest cover and gearing and show a strong position over time. We are compliant with all loan covenants. For a full list of our performance indicators and our current performance against target please visit the Group's website www.progressgroup.org.uk.

Growth and Development

Within 2017/18 a target of delivering 184 homes was set, against this target we achieved delivery of 84, which equates to 46%. The target for Homes England funded properties included 18 properties for two schemes which will complete in 2018/19 and is due to contractor and legal delays. For the non-grant funded properties, the shortfall was due to 48 anticipated properties no longer being viable, 18 properties affected by planning and contractor delays and 16 properties included for speculative opportunities which have not occurred. This gross spend in 2017/18 was £8.9m with grant received of £1.2m. Of the 84 completed properties, 32 were Homes England funded homes (all for rent). The remaining 52 were a combination of Section 106 rented and shared ownership units, and 23 for supported living. The Group also has £7.7m of capital commitments relating to Board approved capital expenditure of which £4.9m has been contracted for as at March 2018. The target for 2018/19 is currently 154 completions. This will be reviewed over the next six months both in the context of improving national policy environment and the Group's increasing financial strength.

Over the last two years the Group's development programme has been adversely affected by the Government's proposed Local Housing Allowance (LHA) cap, reductions to rent levels and lower grant rates. In October 2017 following a lengthy consultation exercise, the government announced that it was abandoning the idea of a cap for long-term supported housing, and that it would introduce a 'sheltered housing rent' for sheltered and extra care accommodation, and that it would consult further on proposals for the funding of short-term supported housing. This announcement has been largely positive for the Group. In particular, we anticipate that our development of supported living accommodation (which falls within the long-term accommodation category) will increase once again given the abandonment of the LHA cap and the Government's assurances around long-term funding for this type of accommodation. Some uncertainty still remains around funding for sheltered housing and short-term accommodation, but this is unlikely to affect our development programme in any significant way.

The Group is continuing to grow its non-social housing activities and is proving to be successful in this area. Our Progress Lifeline and TECS service generates in excess of £3.5m per annum in turnover for the Group. These services generate surpluses which help us to cross-subsidise and contribute to our future development of new homes. Total non-social housing revenue equates to 12% of our turnover in 2017/18.

Value for Money

Strategic approach and VFM

Value for Money (VFM) underpins the delivery of the Group's vision and our key strategic aims. A comprehensive assessment of VFM for the year has been carried out by the board and Executive Team. This gives our stakeholders a rounded picture of how we have performed against our VFM targets for 2017/18, how we have progressed since last year and how we intend to deliver VFM in the future. We have adopted the metrics prescribed by the Regulator of Social Housing (RSH) in its revised VFM standard, published in March 2018. We have also included some performance figures against our own targets. We are confident that we have complied with the regulator's VFM standard.

More detail on our VFM activities can be read on our website at www.progressgroup.org.uk
The board is committed to ensuring that VFM is embedded in both our culture and our decision making processes. We achieve this by:

- Setting the overall strategic direction and culture of the Group, and recognising how important it is to maximise VFM in order to deliver our strategic aims;
- Approving the VFM Strategy and overseeing its implementation;
- Having a dedicated VFM and Performance Working Party in place to implement strategy and ensure compliance;
- Scrutinising and approving major business proposals including cost/benefit/risk analysis arising from the proposal;
- Approving key strategies and ensuring that VFM has been considered throughout;
- Including VFM targets within the Strategic Plan & Business Priorities (Business Plan);
- Setting high performance targets and monitoring business performance closely. We do this by benchmarking against our peer group, which enables the Board to challenge us to do more;
- Reviewing progress against the Strategic Plan to ensure that the business is continuously improving and achieving more;
- Publishing our compliance with the VFM standard by the deadline of 30 September.

By completing a comprehensive VFM position statement, we are complying with the Regulator's VFM standard. We have produced a full and honest assessment so that our stakeholders understand how we are performing against the targets we have set ourselves, and what our future targets are.

Our Strategic Plan is structured around our six strategic aims. The first three are outward looking and are drawn directly from our vision. The final three are more inward looking and focus on making sure we have a solid foundation on which to build our future success.

Our strategic aims are:
- Provide more and better homes;
- Support individuals and communities to encourage independence;
- Create opportunities;
- Work as one team;
- Develop a stronger organisation and;
- Put customers at the heart of what we do.

The Business Plan contains clear targets and our plans to achieve them. Within this plan we have a number of critical success factors. We believe that by achieving these factors, we will be able to deliver our Business Plan promises. VFM is a cross-cutting theme running through all six strategic aims and is essential to their delivery. Maximising VFM in our activities will enable us to realise our ambitions and we set this out in our annual VFM Strategy.

Executive summary - our achievements 2017/18

Our business operates with both social and non-social activities. Our social activities include providing homes for general needs, independent living and supported living customers. Our non-social activities include key worker accommodation, Technology Enabled Care and Support (TECS) services, and the development of properties for outright sale. Our independent living, supported living and TECS services aim to improve housing options for people, so that they can live independently for longer. In addition to ensuring that our activities deliver VFM for us, and the regulator, we also seek to deliver value to the wider public purse – in areas such as health, social care and, in the case of Progress Futures, by having a positive impact on welfare benefits.

We set ourselves five operational VFM targets in our 2017 VFM self-assessment with a clear link to deliver the Strategic Plan. They were:

- To achieve procurement and efficiency savings of over £1 million we have achieved over £2.2m across three years;
- Development of 184 new homes at a cost of £15.9 million, we have achieved 84 units at a cost of £8.9 million with further completions due in the new year;
- Continued growth of our TECS business, which has exceeded our target by 1,000 connections, reaching 22,924 with an income of £3.5 million;
- Completion of a housing stock review and our options appraisal methods;
- Exceeding our arrears target of 4% by 0.6% but performing worse on voids by 0.7%, at 6.2%;
- Continued investment in IT of over £0.3 million, with some projects completing in the new year.

Operationally, we have achieved most of our performance targets with the exception of new development, repairs and voids. We have continued our development programme but we have not met our ambitious targets due to some schemes not being viable, and planning and contractor delays which have shifted completions into the new financial year. To support our programme delivery, we are strengthening the team and have procured specialist skills to support our programme.

Achieving our voids performance continues to be a key focus for us. We have reviewed the processes used by staff involved in the turnaround of our empty properties to make them more efficient. We have also brought staff who manage the whole process together to reinforce the 'one team' approach, and senior managers are meeting with operational staff on a regular basis.

In summary, during 2017/18 we have successfully achieved a number of strategic outcomes which include:

- The continuing success of our non-social activities under our Progress Lifeline and Progress Living brands;
- The progression of our development for sale under our Concert Living brand as well as shared ownership;
- Improvement in our re-investment rates by increasing our property components;
- Increasing our financial capacity by combining our three charitable companies into one;
- Revising our Development Strategy to increase output.

Value for Money standard and our performance

The RSH revised its VFM standard in March 2018 and the standard now includes metrics for Registered Providers to report against to demonstrate efficiency, effectiveness and economy. Within the standard it states that we should have targets in place for measuring performance so that we can see how we are achieving value for money and delivering our strategic objectives. The table below shows the nine metrics introduced by the RSH and how we have performed, our anticipated performance and how we compare to the sector.

		Peers Global Accounts	Progress Housing Group						
No	**Metric**	**2016 / 2017**	**2015 / 2016**	**2016 / 2017**	**2017 / 2018**	**2018 / 2019 BUDGET**	**2019 / 2020 LTFP**	**2020 / 2021 LTFP**	**2021 / 2022 LTFP**
1	Reinvestment %	Not applicable	2.7%	1.7%	2.6%	4.2%	4.9%	5.1%	5.1%
2a	New supply delivered (Social housing units)	1.5%	1.9%	0.9%	0.9%	1.6%	2.0%	2.1%	2.2%
2b	New supply delivered (Non-social housing units)	1.8%	0.0%	0.0%	0.0%	0.0%	0.3%	0.6%	0.6%
3	Gearing %	50.6%	52.2%	50.6%	46.9%	45.2%	44.2%	42.7%	41.1%
4	EBITDA MRI as a % of interest (Cash surplus)	215%	204%	241%	228%	243%	310%	328%	341%
5	Headline social housing cost per unit	£3,298	£4,664	£4,541	£4,800	£4,978	£4,814	£4,811	£4,768
6a	Operating margin (social housing lettings only)	34.1%	24.5%	29.0%	24.9%	24.2%	27.9%	28.5%	29.9%
6b	Operating margin (overall)	29.6%	25.7%	29.5%	25.5%	25.2%	26.9%	27.3%	28.3%
7	Return on capital employed	4.29%	3.61%	4.24%	3.52%	3.74%	4.23%	4.67%	5.12%

Metrics for the prior year headline social housing costs per unit have been restated under the revised calculation definition.

Current and comparable performance

The table shows that of the 9 metrics, the Group is outperforming the sector for 2 metrics; gearing and our cash operating surplus. These are important indicators to demonstrate our financial capacity and how efficient we are.

Due to our supported living portfolio, our Headline Social Cost Per Unit appears higher than the sector average. Based on the 2017 Global Accounts data, we had 3% of the sectors supported housing, and we are the fourth largest provider nationally. The RSH has identified supported living as having higher unit costs when compared to the sector. We therefore calculate a 'weighted median' based on our stock profile due to our higher supported and independent living portfolio. We also adjust for lease costs as these relate to our supported living properties.

As can be seen in the table below our adjusted headline social cost per unit figure is significantly lower than the sector based on our stock profile. On this basis, we are well below the sector. For 2017/18, our figure is £4,409 however we still expect to be below the sector weighted average; unless the sector reduces costs by around 10%. We also know that of the top 10 providers of supported housing, the average was £6,053 per unit, compared to the Group's adjusted cost per unit of £4,085 for 2016/17.

	2015/16	2016/17
Headline Social Cost Per Unit (adjusted)	£4,138	£4,085
Weighted average	£5,276	£4,894
PHG position to median	**BELOW**	**BELOW**
£ lower	-£1,137	-£809
% lower	-22%	-17%

The adjusted cost per units are based on the latest guidance from Homes England.

The metrics table also shows that we are performing below average for the sector in 3 metrics, namely delivery of social and non-social housing and return on capital. Whilst we have commenced our pilot programme for outright sale which will provide circa 100 new homes. Return on capital measures the efficient investment of capital resources and would support registered providers with a wide range of capital investment programmes. We are marginally below the sector currently but our plans reflect our intention to increase investment. Our plans going forward clearly demonstrate our intention to increase development and invest in existing homes. We are also working to improve void performance.

Planned performance

The metrics table shows how the updated long-term financial plan, approved by the board in April 2018, shows our future plans, which will positively impact these metrics.

We have set out to invest more in existing and new property with more than 2% increase in reinvestment, more than 1% increase in delivery of social housing and a marginal increase on return on capital metrics.

The drivers are based on:

- Approved spend of £97 million over the five years to 2022/23 to provide 1,016 new units across a balanced programme of supported living, general needs, section 106 and shared ownership. This is anticipated to create a positive net present value (NPV) of £3.7 million;
- Approved three year programme for outright sale for Concert Living of 94 sales, 38 under construction and with ambition to develop a further 88 properties from year five; and
- Approved spend of over £30 million to deliver 8,600 new components (such as bathrooms and kitchens).

Our operating margin is also set to increase steadily by more than 2% over the next five years due to:

- Contribution from shared ownership and Concert Living sales; and
- Improved rental income assumptions.

Although TECS does not improve the operating margin, the activity contributes to the Group's surplus.

This increase in operating margin is despite our intention to invest over £74 million in the routine and planned maintenance of our properties.

Taking into account the required level of cost for supported living, which is more than 35% of our social housing portfolio, we are therefore performing well overall with our strategy to improve performance with targeted investment.

Our Benchmarking approach

A benchmarking statement is produced each year which links to our Business Plan and its critical success factors. The indicators included are reviewed with executive directors to make sure they fully reflect our priorities. The indicator calculations within the benchmarking statement have been altered to reflect the regulator's VFM metrics. They also include additional indicators we believe are business critical, and which the regulator expects us to monitor.

We use different sources to benchmark both internally and externally to understand our own trends and our position within the market. The benchmarking source is referenced on the annual statement. Below is a list of the peer benchmarking groups we use when comparing externally.

- Global Accounts/Statistical Data Return – we use Global Accounts information in two different ways. Firstly, to identify our position against all organisations. Secondly, as we have a higher percentage of supported accommodation, we are able to use this data to identify other housing associations which are directly comparable to us. This enables us to evaluate and understand how our diversification impacts our overall costs.

- HouseMark – we are members of the benchmarking group and are able to benchmark housing management, repairs and corporate functions. We look at this data using two peer groups, our overall position against all HouseMark members and a localised peer group who are LSVTs within the North West with 2,500 – 10,000 units. This group includes around 11 other providers. Below is a provisional list of the peers for 2017/18 (this can change dependent on all participating in HouseMark).

    - Calico Homes, Cobalt Housing, Community Gateway Association, Golden Gates Housing Trust, Peaks and Plains Housing Trust, SLH Group, South Lakes Housing, Southway Housing Trust, Trafford Housing Trust, Villages Housing Association, Weaver Vale Housing Trust.

- Supported People Benchmarking Group (SPBM) – due to the performance differences present within differing types of accommodation, we joined SPBM in February 2017. This group allows us to compare our supported living data against more comparable organisations. There are around 30 members, some of whom are not included within the Global Accounts data due to their size (less than 1,000 units).

- The Leadership Factor (TLF) – along with some other associations we use an independent polling and data gathering company called The Leadership Factor to collect our STAR survey results. Their methodology differs from that used by many other associations, an example being the use of a 10 point scoring scale rather than a 5 point scale. Using this approach has many advantages. For example, it allows us to compare net promoter scores and satisfaction across industries. However, it also means that direct comparisons cannot be made with associations employing a different approach.

- Office of National Statistics – in addition to industry standard sources we also use national statistics when looking at indicators which are less housing specific. We compare equality and diversity and employment indicators by looking at comparators within our geographical locations.

Our benchmarking results and targets

The board has reviewed our targets in the balanced scorecard and benchmarking statement within the performance management framework. This framework has been developed to create a 'golden thread' approach from Business Plan objectives to operational delivery. The indicators included in the balanced scorecard are geared towards our 2022 Business Plan. By setting out clear indicators and targets that directly relate to our objectives, we are being clear and transparent to board on our performance. Any areas of weaknesses will be addressed in a timely manner reducing the risk of non-achievement.

The table below shows our own benchmarking statement metrics and how we have performed against our peers and our own targets. We have also identified our intended future targets.

			Progress Housing Group							
No	**Metric**	**Source**	**PEER 2016 / 2017**	**2015 / 2016**	**2016 / 2017**	**2017 / 2018**	**2018/ 2019 Target**	**2019 / 2020 Target**	**2020 / 2021 Target**	**2021 / 2022 Target**
8	Satisfaction index	TLF	79.6%	NEW	80.5%	80.5%	80.0%	80.0%	80.0%	80.0%
9	Repairs tenant satisfaction	TLF	75.9%	NEW	74.0%	74.0%	76.0%	76.0%	78.0%	78.0%
10	Neighbourhood satisfaction	TLF	80.1%	NEW	83.4%	83.4%	80.0%	80.0%	80.0%	80.0%
11	Views taken satisfaction	TLF	69.7%	NEW	74.8%	74.8%	76.0%	76.0%	78.0%	78.0%
12	Workforce sickness levels	ONS	4.4%	3.7%	6.1%	5.0%	4.4%	4.4%	4.4%	4.4%
13	Employee turnover	HouseMark	14.4%	14.3%	20.7%	15.2%	10.0%	10.0%	10.0%	10.0%
14	Current tenant arrears	Global Accounts	4.0%	4.3%	3.9%	3.5%	3.7%	3.6%	3.6%	3.6%
15	Former tenant arrears	Global Accounts	1.7%	1.4%	1.2%	1.0%	0.9%	0.9%	0.9%	0.9%
16	Rent collected	HouseMark	101.0%	99.6%	101.7%	99.7%	99.5%	99.5%	99.5%	99.5%
17	Number repairs per unit	HouseMark	3.8	4.7	5.2	4.4	4.0	4.0	4.0	4.0
18	Decent Homes Standard	SDR	0.5%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
19	Average relet times - general needs	HouseMark	28.6	46.9	30.7	32.6	27.0	25.0	23.0	21.0
20	Rent lost due to voids gross*	Global Accounts	1.3%	5.0%	5.2%	5.6%	5.8%	5.7%	5.6%	5.5%
21	Vacant stock	SDR	0.8%	3.2%	3.6%	3.8%	3.5%	3.5%	3.5%	3.5%

* This relates to social housing voids only.

Comparing 2017/18 with the latest peer group data, the table shows that we are outperforming the sector for six of the metrics - satisfaction measures, current and former tenant arrears and the Decent Homes Standard. However, the table also shows that we are worse than the sector for eight metrics - repairs satisfaction, employee sickness, employee turnover, rent collected, number of repairs per unit, vacant stock, rent lost due to voids and average relet times (general needs only).

In 2017, we asked The Leadership Factor to carry out our Survey of Tenants and Residents (STAR). The Leadership Factor specialises in customer insight, using qualitative and quantitative research, training, consultancy, and communications to help and improve customer experience. We are performing better than our peers in three of the four core indicators. The Leadership Factor use a 10 point rating as it enables a greater level of insight for service improvement. Insight from customers shows that our key drivers to improve satisfaction are the quality of the home/repairs and maintenance, listening to views and dealing with queries effectively, and dealing with anti-social behaviour. In each key driver there were four recurring themes for improvement, namely, first-time resolution, speed of response, communication and quality of service. Following completion of the survey an action plan was developed and we held a number of workshops with customers to gain further insight on how we could improve services. This survey will be re-commissioned on a two year cycle so that we can track continuous improvement.

In 2016 our staff sickness levels started to worsen, as a result we carried out further analysis to understand why this was happening. A working party was set up to support employees and managers and reduce sickness levels. We found a correlation between increased sickness levels and service reviews which was expected. Now that these reviews have been completed, monthly sickness performance dropped to 3.5% in April 2018, which is within target and less than our peers.

During 2017/18 our performance on rent collection worsened slightly although we can see that for 2016/17 our end of year position was better than our peers. Rent collection can fluctuate over a number of years, and when we review our average over five years we have a 100% collection rate (rent collection can be above 100% in any year). Arrears performance remains better than our peers and our rent debit written off was within our 1% target. We remain focused on making sure our rent collection is as high as possible and believe this will be affected by the full roll-out of Universal Credit. Income collection is recognised as an important business target across the Group and a working group, which has been operating for several years, focuses on actions and ideas to maximise performance.

We also recognised voids and lettings as a key business target. In 2017, we saw an improvement of 16.2 days to relet a general needs property which is similar in 2018. Our performance is worse than that of our peers and we believe that we can make improvements to performance through process changes currently being implemented. Properties are reviewed for long-term feasibility and, when required, other options are put in place to improve performance.

When comparing void rent lost to our peers, our performance is significantly worse as we have more supported living properties. When comparing general needs rent lost due to voids we are performing better than our peers. Supported living accommodation has a longer relet time and higher rent losses due to the focus on tenant compatibility in shared accommodation. We work extremely closely with local authority commissioners and support providers to enable a property to be let as quickly as possible. Where this is not possible and a management agreement is in place we recharge the void costs to reduce our risk. We use this information to engage with service areas to review and propose new targets, which are approved by our executive board.

The revised VFM standard states that Registered Providers must demonstrate:

a) **a robust approach to achieving value for money – this must include a robust approach to decision making and a rigorous appraisal of potential options for improving performance**

What does this mean?

This means that when we make decisions on our expenditure, we understand the outputs achieved. We consider how our properties, offices and staff operate, and whether this is the best use of our resources or whether they should be allocated elsewhere. And that we compare against other possible alternatives and understand how this expenditure delivers our strategic objectives.

What is our approach and what decisions have we made?

Our Business Plan clearly outlines our intention to provide more and better homes and to deliver a stronger organisation. This links to a number of our strategies including development, asset management, treasury and VFM. These strategies are aligned to our long-term financial plan and are approved by our board. We have operational teams in place to deliver the actions as detailed in their operational plans.

During 2017/18 we have:

- Completed the sale of most of our market rented properties. The board took this decision following a detailed appraisal of the properties. They had generated a small surplus over a number of years but the sales proceeds will now be used to fund the new development of properties for outright sale within Concert Living. It is planned that the profits generated will be reinvested into the charitable activities in the Group. We have sold 19 properties with proceeds of £1.8 million and a small loss of £43,000. Two of these have been sold to another Group company for use as social rented accommodation.
- Continued our development strategy which aims to have a balanced programme where we may choose to develop new properties that have a negative NPV so that we can achieve our social objectives but also develop other properties with a positive NPV to maintain our financial strength. We have completed 32 Homes England funded properties and a further 52 non-grant funded properties at a total development spend of £8.9 million with grant of £1.2 million, generating a net spend of £7.7 million in 2017/18. We had a further 48 properties in the pipeline which, on detailed assessment, would not have been financially viable so we did not proceed. These decisions are taken by our Funding Appraisal Team to ensure new developments are delivered appropriately.
- Achieved income of more than £3.4 million from our Progress Lifeline and TECS service, with more than 22,924 connections and an operating surplus of £0.8 million. This service has grown significantly over the last couple of years and we submit competitive bids to secure new contracts whilst providing a quality service to a wide range of customers. We have approved further investment in staff resources to continue to grow the business and to contribute to our future operating margin.
- Established an Asset Management Strategy, approved by the board, that sets out the process we will follow to assess the NPV of stock together with sustainability indicators. This helps us to identify poor performing stock that will trigger a possible options appraisal. There were no significant schemes identified during the year. We operate a standard template for options appraisals when reviewing our stock performance, which helps us to make clear decisions on the future viability of our stock. This includes options to dispose, remodel or in the case of supported living accommodation, decommission schemes. During 2017/18 we sold eight units (excluding Right to Buy (RTB), market rented sales and shared ownership) which generated £0.9 million in sales proceeds.

- We have a strategy for our independent living portfolio of a gradual reduction of 174 independent living properties by decommissioning units no longer fit for purpose and converting to general needs properties. We have decommissioned Mainway Court as part of this strategy. This strategy will reduce void costs, alarm maintenance costs and management costs with the reduced level of support required. There is a focus on cost areas, including increased use of energy saving lights when schemes are rewired, re-tendering of maintenance contracts and reducing paper-based information.

b) regular and appropriate consideration by the Board of potential value for money gains – this must include full consideration of costs and benefits of alternative commercial, organisational and delivery structures

What does this mean?

This means that we should consider potential opportunities to achieve VFM in all of our activities. For us, this includes understanding the benefits and limitations of our Group structure, procurement arrangements, and diversification into different business areas, investment in non-social activities and the geography of our operations.

What considerations have we made?

During the year:

- We have completed a project to combine three of our charitable RPs into one. Our organisational structure changed just after year-end on 30 April 2018 following the transfer of engagements of PCHA and NFH into NPHA. In 2014, we changed our brand identity and collapsed our outward-facing trading structure to one main trading brand, Progress Housing Group. At that time there was no impact on our legal structure. This brand identity and trading collapse has enabled us to market ourselves even more effectively and efficiently, and become an even stronger organisation. VFM has been one of the key drivers for the change in our Group structure. Our way of working as one team operationally and at board level is now firmly established. This 18-month project commenced with board approval of a business case which detailed the costs and benefits of the combination. Whilst there has been a financial cost of around £0.5 million and a change in loan terms, this is offset by the benefits which include:

a) Borrowing and investment efficiencies – having separate borrowing and property owning subsidiaries is an inefficient use of resources. The Group's capacity will increase and this is a key driver as it will allow us to deliver our main objective of developing new homes;
b) All funder loan covenants are now in FRS102 format which has created more streamlined covenants across all funders, improving the amount of headroom from the revised financial covenants;
c) Removal of onerous loan agreement clauses reducing the need to maintain excessively high levels of surplus;
d) We have negotiated an increase in our revolving credit facilities, which will provide more flexibility to manage cash and therefore reduce interest costs; and
e) Fewer group entities generate a number of savings in company secretarial, financial statements production, and fewer intra-group transactions reducing administration and processing time and cost.

- The board has an agreed merger and partnership strategy and, linked to the Business Plan, has identified business areas for possible merger and partnership activity. Our new group structure provides maximum efficiency and effectiveness, and our governance has also been streamlined. This is kept under regular review by the board as part of the annual Business Plan review process. Since 2009 we have completed two mergers. New Fylde Housing joined the Group in 2009 and has now been incorporated into Progress Housing Association. The second merger was with Key Unlocking Futures, which joined the Group in 2014. Key Unlocking Futures remains a separate charity within the Group. This activity demonstrates our willingness to look for merger and partnership opportunities to deliver improved services to customers, certainty of business planning and efficiency.

c) **consideration of value for money across their whole business and where they invest in non-social housing activity, they should consider whether this generates returns commensurate to the risk involved and justification where this is not the case**

What does this mean?

This means that when we consider growth opportunities which are not traditional social housing i.e. in areas such as TECS and Concert Living that we analyse the risk involved, have mitigating strategies for failure and ensure there is a financial return which reflects the level of risk on the activity. If no financial return is envisaged, the business case should clearly justify other intended benefits.

How have we considered VFM in non-social housing activity?

- Our current non-social housing activity mainly relates to Progress Living, TECS activities and Concert Living. In total, these activities generate around £9 million in turnover with an operating surplus of around £2.7 million and therefore provide a healthy contribution to our operating surplus. Control Centre and Concert Living are growth areas for us.

    - Progress Living is the brand which provides key worker accommodation, with 573 units for 42 years, starting from 2006. We can choose to extend the contract if the required rate of financial return has not been achieved after 42 years. The board approved this activity in order to meet housing need, generate a financial return and to diversify. The risks are regularly monitored; financial and operating performance is reported annually to the board and United Lincolnshire Hospital Trust. This activity is financially performing better than anticipated and generates a surplus of more than £1 million a year.
    - TECS activities currently generate more than £3 million in turnover and has seen growth over the last few years. We are aiming to grow new provision by £8 million over the next five years. We have a proven track record in providing TECS services and each new contract is financially appraised and priced prior to bidding for the contract.
    - Concert Living will develop new homes for outright sale and will focus its activity in areas where the housing market is stronger. It will aim to serve the mainstream housing market with conventionally designed and constructed homes of two to five bedrooms. This new initiative will generate turnover up to £45 million over the next five years and contribute a healthy profit for re-investment into the Group. Concert Living has its own board to oversee and approve its operations against a detailed business case, approved by the Parent board. Its first development will begin in 2018 and will be closely monitored by the Concert Living board, with financial performance reported to the Parent board.

We monitor and report on all of these non-social housing activities separately and whilst our growth in this non-social activity is significant, the long-term financial plan does not rely on this activity to support our Business Plan requirements. Our social housing activity remains our core operation. Our long-term financial plans have been risk tested and include mitigations in the event of loss of Progress Lifeline contracts and the failure of Concert Living to achieve its required profits. Our plans for 2018/19 include further development of specific reporting on our non-social housing activities to provide better management information for decision making.

Further details can be found on the Group's website **www.progressgroup.org.uk**

Regulation

As a Registered Provider, we are regulated by the Regulator of Social Housing, which is the new name for the former Homes and Community Agency's regulation function. In November 2017 the Regulator 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

On 30 April 2018 the two Group subsidiaries New Fylde Housing Limited and Progress Care Housing Association Limited formally completed a transfer of engagements of all of the trade, assets and liabilities to New Progress Housing Association Limited (Progress Housing Association Limited). The two subsidiaries ceased trading and as required by FRS102, the directors have prepared the financial statements on the basis that these subsidiaries are no longer a going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All assets and liabilities were transferred to New Progress Housing Association Limited (renamed Progress Housing Association Limited) at their carrying amounts.

For the Group, 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

BDO LLP have expressed their willingness to continue in office, accordingly a resolution is to be proposed at the Annual General Meeting for their re-appointment.

Annual General Meeting

The Annual General Meeting of the Association will be held on 3 September at Sumner House, 21 King Street, Leyland, Lancashire.

The report of the Board was approved by order of the Board and signed on its behalf by:

Deborah Atherton
Company Secretary

30 July 2018

Statement of Board's Responsibilities

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

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the Group and Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the Group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Group's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

The updated requirements from the triennial review of FRS102 in December 2017 have not been adopted early by the Board.

Janet Hale
Board member

Independent auditor´s report to the members of Progress Housing Group

Opinion

We have audited the financial statements of Progress Housing Group Limited ("the Group") and its subsidiaries ("the Subsidiaries") for the year ended 31 March 2018 which comprise the consolidated and Association statement of comprehensive income, the consolidated and Association statement of financial position, the consolidated and Association statement of changes in equity, the consolidated statement of cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the Association's affairs as at 31 March 2018 and of the Group's surplus and the Association's deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Independent auditor´s report to the members of Progress Housing Group (cont.)

In connection with our audit of the financial statements, our responsibility is to read the other information including the Strategic Report, Statement of Corporate Governance and Internal Controls and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the board

As explained more fully in the board members responsibilities statement set out on page 29, the board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent auditor´s report to the members of Progress Housing Group (cont.)

Use of our report

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

For and on behalf of BDO LLP Statutory Auditor
Manchester

Date:

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Statement of Comprehensive Income

For the year ended 31 March 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Turnover	2	74,072	74,513	19,206	21,268
Operating expenditure	2	(55,056)	(51,853)	(18,830)	(19,352)
Cost of sales	2	(540)	(813)	-	-
Operating surplus		**18,476**	**21,847**	**376**	**1,916**
Loss on disposal of property, plant and equipment	6	(393)	(140)	(54)	(23)
Movement in fair value of investment properties	11	(100)	(441)	(27)	-
Interest receivable	7	248	260	1	1
Interest and financing costs	8	(10,172)	(11,409)	(242)	(240)
Share of Joint Venture profit and dividend	12	117	34	-	-
Surplus before tax		**8,176**	**10,151**	**54**	**1,654**
Tax on surplus on ordinary activities	9	(185)	(444)	(185)	(444)
Surplus/(deficit) after taxation	**5**	**7,991**	**9,707**	**(131)**	**1,210**
Actuarial gain / (loss) on pension scheme	28	3,289	(4,702)	3,014	(3,815)
UK deferred tax attributable to actuarial (gain) / loss	28	(1,006)	657	(1,006)	657
Transfer of Defined Benefit Scheme Liability	28	-	-	3,708	-
Increase / (decrease) on Joint Venture hedge reserve	12	407	(951)	-	-
Total comprehensive income for the year		**10,680**	**4,712**	**5,585**	**(1,948)**

The notes on pages 38 to 64 form an integral part of the financial statements.

Statement of Financial Position

As at 31 March 2018

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Tangible Fixed assets					
Housing properties at cost	10	505,100	502,435	-	-
Other tangible fixed assets	11	6,902	9,539	4,091	6,508
		512,002	511,974	4,091	6,508
Current Assets					
Stock	13	769	658	139	121
Debtors	14	5,580	5,093	1,129	1,272
Investments	15	184	8,990	-	-
Cash and cash equivalents		11,948	1,103	1,703	1
		18,481	15,844	2,971	1,394
Less: Creditors amounts falling due within one year	16	(13,201)	(14,482)	(1,603)	(2,909)
Net current assets / (liabilities)		5,280	1,362	1,368	(1,515)
Total assets less current liabilities		517,282	513,336	5,459	4,993
Creditors					
Amounts falling due after more than one year	19	(246,036)	(251,454)	(79)	(135)
Government grants	19	(9,472)	(8,389)	-	-
Provision for investment in Joint Venture	12	(2,584)	(3,088)	-	-
Pension liabilities	28	(10,478)	(12,374)	(3,636)	(8,700)
Net Assets/(liabilities)		248,712	238,031	1,744	(3,842)
Reserves					
Share capital	20	-	-	-	-
Revaluation reserves		158,136	160,548	797	814
Designated reserves		180	148	-	-
Income and expenditure reserves		90,396	77,335	947	(4,656)
		248,712	238,031	1,744	(3,842)

The notes on pages 38 to 64 form an integral part of the financial statements.

The financial statements on pages 33 to 37 were approved by the Board of Management on 30 July 2018 and were signed on its behalf by:

Janet Hale
Board member

Nigel Wright
Board member

Deborah Atherton
Company Secretary

Statement of Changes in Reserves

For The Year Ended 31 March 2018

Group	Revaluation Reserves £'000	Designated Reserves £'000	Income & Expenditure Reserves £'000	Total £'000
At 1 April 2017	160,548	148	77,335	238,031
Surplus for the year	-	-	7,991	7,991
Actuarial gain on pension scheme net of deferred tax	-	-	2,283	2,283
Decrease on Joint Venture hedge reserve	-	-	407	407
Other comprehensive income for the year	-	-	2,690	2,690
Reserve transfers:				
Transfer from revenue reserves to designated reserve	-	32	(32)	-
Realisation of revaluation reserve in respect on impairment of housing property	(338)	-	338	-
Realisation of revaluation reserve in respect of disposals of housing property	(743)	-	743	-
Realisation of revaluation reserve in respect of depreciation on housing property	(1,331)	-	1,331	-
As at 31 March 2018	**158,136**	**180**	**90,396**	**248,712**

Group	Revaluation Reserves £'000	Revaluation Reserves £'000	Income & Expenditure Reserves £'000	Total £'000
At 1 April 2016	162,569	142	70,609	233,320
Surplus for the year	-	-	9,707	9,707
Actuarial loss on pension scheme net of deferred tax	-	-	(4,045)	(4,045)
Decrease on Joint Venture hedge reserve	-	-	(951)	(951)
Other comprehensive income for the year	-	-	(4,996)	(4,996)
Reserve transfers:				
Realisation of revaluation reserve in respect of depreciation on housing property	(1,332)	-	1,332	-
Transfer from revenue reserves to designated reserve	-	6	(6)	-
Realisation of revaluation reserve in respect on impairment of housing property	(300)	-	300	-
Realisation of revaluation reserve in respect of disposals of housing property	(389)	-	389	-
As at 31 March 2017	**160,548**	**148**	**77,335**	**238,031**

Statement of Changes in Reserves

For The Year Ended 31 March 2018

Company	Revaluation Reserves £'000	Income & Expenditure Reserves £'000	Total £'000
At 1 April 2017	814	(4,656)	(3,842)
Surplus for the year	-	(131)	(131)
Actuarial loss on pension scheme net of deferred tax	-	2,008	2,008
Transfer of Defined Benefit Scheme Liability	-	3,708	3,708
Other comprehensive income for the year	-	5,716	5,716
Reserve transfers:			
Realisation of revaluation reserve in respect of depreciation on housing property	(17)	17	-
As at 31 March 2018	**797**	**946**	**1,743**

Company	Revaluation Reserves £'000	Income & Expenditure Reserves £'000	Total £'000
At 1 April 2016	831	(2,725)	(1,894)
Surplus for the year	-	1,210	1,210
Actuarial loss on pension scheme net of deferred tax	-	(3,158)	(3,158)
Transfer of Defined Benefit Scheme Liability	-	-	-
Other comprehensive income for the year	-	(3,158)	(3,158)
Reserve transfers:			
Realisation of revaluation reserve in respect of depreciation on housing property	(17)	17	-
As at 31 March 2017	**814**	**(4,656)**	**(3,842)**

Consolidated Statement of Cashflows

For The Year Ended 31 March 2018

	Notes	Group 2018 £'000	Group 2017 £'000
Cashflow from operating activites (see below)		**27,694**	**30,841**
Purchase of Housing Properties		(8,094)	(4,312)
Purchase of Housing Property Components		(4,627)	(3,407)
Government Grants Received (2017 Restated *)		1,213	619
Purchase of other Tangible Fixed Assets		(226)	(365)
Proceeds from Sale of Tangible Assets		2,975	838
Cashflow in respect of Joint Venture		18	26
Cashflow from investing activities		**(8,740)**	**(6,601)**
Taxation Paid		(152)	(192)
Interest Received		248	260
Interest Paid		(10,123)	(11,402)
Repayments of Borrowings		(6,118)	(9,245)
Investments realised (Placed)		8,806	(3,190)
Captial element of finance lease rental payments		(56)	(56)
Dividends Received from Joint Venture		-	7
Cashflow from Financing Activities		**(7,395)**	**(23,818)**
Net change in cash and cash equivalents		**11,559**	**422**
Cash and cash equivalents at 1st April		**192**	**(230)**
Cash and cash equivalents at 31st March		**11,752**	**192**
Adjustments for non-cash items			
Operating Surplus		**18,476**	**21,847**
Increase in Stock		(337)	(338)
Depreciation of tangible fixed assets	5	9,355	9,036
Impairment of housing held at valuation	5	321	348
Amortisation of Government grants		(113)	(100)
Pension costs less contributions paid		327	(351)
Decrease in trade and other debtors		(570)	(98)
Increase in trade and other creditors		234	497
Cashflow from operating activities		**27,694**	**30,841**
Reconciliation of net cashflow to movement in net debt			
(Decrease)/increase in cash in the period		11,559	422
Cash deposited investments		(8,806)	3,190
Change in loans - cash repaid		6,115	9,245
Change in Loans - Re-measurement	8	300	287
Change in loans - Amortisation of borrowing costs		32	(52)
Cash used in repaying finance lease capital		56	56
Change in Net Debt		**9,256**	**13,148**
Net Debt at start of year		**(246,006)**	**(259,154)**
Net Debt at end of year	24	**(236,750)**	**(246,006)**

*** Restated based on cash received not receivable**

Notes to the Financial Statements

For the year ended 31 March 2018

1. Accounting Policies

(1) Basis of Accounting

Basis of Preparation

The financial statements of the Group are prepared in accordance with Financial Reporting Standard 102 (FRS102) – 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 updated requirements from the triennial review of FRS102 in December 2017 have not been adopted early by the Board.

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

The Group 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 Group'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.

Basis of Consolidation

The consolidated accounts incorporate the financial statements of Progress Housing Group Limited and its subsidiaries and also its share of the joint venture, LiLAC. Further details of the subsidiaries are disclosed in note 26. Intra-group transactions are eliminated on consolidation. All subsidiaries' financial statements are made up to 31 March.

(2) Turnover

Income is measured at the fair value of the consideration received or receivable. The Group generates the following material income streams:

- Rental income receivable (after deducting lost rent from void properties available for letting)
- First tranche sales of Low Cost Home Ownership housing properties developed for sale
- Service charges receivable
- Void guarantees
- Revenue and supporting people grants
- Proceeds from the sale of land and property.

Rental income is recognised from the point when properties under development reach practical completion and are formally let, income from first tranche sales and sales of properties are recognised at the point of legal completion of the sale.

(3) Housing Properties

Housing properties completed prior to 1 April 2014 are stated at 'Deemed cost' as permitted by the transitional arrangements of FRS102 para 35.10d and are accounted for under the cost model. The valuation in place at the transition date, 1 April 2014, was deemed 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.

A small number of staff flats included within property, plant and equipment are held at historic cost net book value as these units do not generate any rental 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 as detailed in the accounting judgements narrative.

Freehold land is not depreciated.

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 Homes England. 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 Group'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 and Depreciation

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 detailed in the accounting judgements narrative.

(7) Investment Properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

All investment properties were measured reliably in the year without undue cost or effort and therefore are held at fair value. Any gains or losses arising from changes in the fair value are recognised in the statement of comprehensive income in the period that they arise.

No depreciation is provided in respect of investment properties applying the fair value model. This treatment, as regards the Group's investment properties, may be a departure from the requirements of the Companies Act concerning depreciation of fixed assets. However, these properties are not held for consumption but for investment and the Board consider that systematic annual depreciation would be inappropriate. The accounting policy adopted is therefore necessary for the financial statements to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

The directors review the investment portfolio every year with a formal valuation being obtained at least every 3 years, with internal assessments being carried out in the interim years.

(8) Defined Benefit Pensions Schemes

Progress Housing Group Limited continues to participate in Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme defined benefit schemes. 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 the Group benefits from the employee's service.

Past service contributions of the Social Housing Pension are 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.

The Group closed one of the subsidiary Lancashire LGPS schemes on 29 March 2018.

(9) 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.

(10) Taxation

The Group is liable to United Kingdom Corporation Tax. Where applicable, taxation is provided for at the rates prevailing at the Statement of Financial Position date and comprises of current and deferred tax.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.

Provision is made for deferred tax in respect of timing differences that have originated but not reversed at the Statement of Financial Position date where an event has occurred that results in an obligation to pay more or less tax in future. Deferred tax is measured at the average tax rates that are expected to reverse, based on tax rates that have been enacted or substantively enacted by the Statement of Financial Position date.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised on the LGPS net liability and is recognised in full in respect of the Parent's share of the liability. Further detail appears in note 27.

(11) Value Added Tax

The Group is registered for VAT, with the exception of Concert Living Ltd, which intends to register 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, shown within note 2 of the Company accounts.

(12) Stock

Stock represents the share of unsold completed shared ownership properties, van stock and work in progress on development of Concert Living Ltd.

(13) Bad and Doubtful Debts

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

(14) Recycling of Capital Grant

Where social housing grant is recycled the SHG has credited to a fund which appeared as a creditor until spent, this has now been fully utilised and no longer applies.

(15) Operating Leases

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

(16) Finance Leases

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

(17) Interest and Finance Costs

Interest, agency fees, non-utilisation fees and consent fees are expensed within the financial year.

Amortisation relates to loan arrangement fees which are written off over the period of the loan detailed further in note 17 below.

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.

(17) Housing Loans

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

As a result of adopting FRS102 on 1 April 2014 one housing loan was re-measured as a result of a change in the margin in 2009. The Group elected to use para 35.9(a) of FRS102, which allowed re-measurement of the loan instead of de-recognition. This re-price represented an increase in margin, and as a result, a higher liability based on the present value of the future cash flows using an effective interest rate was recognised. This is subsequently released each year through a credit to the interest charge. Details of this re-measurement appear in note 19.

(18) Service charges and sinking funds

The Group operates both fixed and variable service charges on a scheme by scheme basis in line with tenancy and lease agreements.

Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned they are held as debtors or creditors on the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held on the Statement of Financial Position within creditors. A separate bank account is used to hold these funds separately from the Group's bank accounts.

(20) First Tranche Shared Ownership Sales

The Group has adopted the accounting treatment in the SORP 2014 such that:

- Shared Ownership (SO) properties are split proportionally between current and fixed assets based on the first tranche proportion;
- First tranche proportions are accounted for as current assets and the related sales proceeds shown in turnover; and
- The remaining element of the SO property is accounted for as a fixed asset so that any subsequent sale is treated as a part disposal of a fixed asset.

(21) Designated Reserves

The designated reserves are in respect of Key Unlocking Futures Limited, a charitable subsidiary. Key works with young people to provide support for young people who are homeless or at risk of becoming homeless. The designated funds cover redundancy, sickness and running costs for a level of three to six months in accordance with the reserve policy.

(22) Properties Managed on behalf of others

All income and expenditure relating to the management of properties for other agencies is included in the Statement of Comprehensive Income. The assets and liabilities relating to this income and expenditure are included in the Statement of Financial Position.

(23) Properties Managed by Agents

Where the Group 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 Group.

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

(24) 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.

(25) 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.

The Group estimated the recoverable amount of its housing properties and identified 3 further impairments required (3 in PCHA) (2017: 2 NPHA, 1 PCHA).
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 cashflow associated with the asset in order to determine the net present value.

Following a review of all assets, with the exception of the 3 properties identified above, there were no further instances identified where the net book value was greater than the recoverable value, and therefore, there was no impairment adjustments required in addition to those that had already been provided in the year. For those 3 properties identified, the assets were impaired down to their recoverable value.

(26) Joint Venture Accounting

The Group 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. The Group recognises a liability being the difference between its investment in LiLAC and its share of the fair value of its share of the liability on the swap.

(27) Service Concession Arrangements

The Group elected to take the 'first time adopter' exemption permitted by para 35.10(i) of FRS102 to continue to account for Service Concession Arrangements that were in existence at the date of transition, under the pre 1 April 2014 UK GAAP methodology.

Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Financial Instruments

The Group's loan facilities have been assessed as basic financial instruments and have been treated as such as outlined in FRS102 section 11.

Depreciation of housing properties - components

Components of housing properties are depreciated over their useful economic lives, determined by the length of time the individual component will be used before it is replaced. They are 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
Photovoltaic installations	25 years

The useful lives were originally determined by reviewing stock condition survey data and component replacement cycles, and also through regular benchmarking of the industry.

Housing Property Impairment

Housing properties are reviewed for impairment, if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down is charged to the Statement of Comprehensive Income. In making the judgement, management considered the detailed criteria set out in the SORP.

a) Judgements made in defining the cash generating unit (CGU) – the 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.

Other fixed assets

Other fixed assets are depreciated over their useful economic lives which are determined by the length of time the asset is expected to be in use, 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.

Investment properties

Investment properties are valued by third party valuers at least every three years. Management relies on estimates to determine the value such as discount factors, timing of cash flows, predicted future rents and life of the asset. Internal assessments are carried out in the intervening years.

Pension Scheme Accounting

The Group has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors including: life expectancy, salary increases, asset valuations and the discount rate on corporate bonds. The assumptions reflect historical experience and current trends.

The Group's share of the SHPS pension scheme's assets and liabilities cannot be calculated on a reasonable and consistent basis and therefore discounted future cash flows of future payments, with respect to the deficit funding agreements, are recognised within creditors. Judgements are made around the discount rate used which is based on current interest rates.

The valuation of defined benefit pension scheme obligations has a number of critical underlying assumptions are made when measuring a defined benefit scheme, including standard rates of inflation, mortality, discount rates and anticipation of future salaries. Variation in these assumptions may significantly impact the net asset/liability and the annual expense.

Both schemes assumptions and calculations are based on independent actuarial reviews. The Directors are satisfied that these assumptions are appropriate.

2. Turnover, Operating Expenditure and Operating Surpluses

Group Consolidated	2018			
	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus
	£'000	£'000	£'000	£'000
Social Housing Lettings (note 3a)	64,964	-	(48,808)	16,156
Non-Social Housing Activities (note 3b)				
Supporting People	209	-	(193)	16
Development for sale				
First tranche shared ownership sales	766	(540)	-	226
Non-Social Housing Activities (note 3c)				
Lettings	519	-	(342)	177
Other	7,614	-	(5,713)	1,901
Total	**74,072**	**(540)**	**(55,056)**	**18,477**

	2017			
	Turnover	Cost of Sales	Operating Expenditure	Operating Surplus
	£'000	£'000	£'000	£'000
Social Housing Lettings (note 3a)	65,977	-	(46,841)	19,136
Non-Social Housing Activities (note 3b)				
Supporting People	200	-	(176)	24
Development for sale				
First tranche shared ownership sales	1,131	(813)	-	318
Non-Social Housing Activities (note 3c)				
Lettings	584	-	(346)	238
Other	6,621	-	(4,490)	2,131
Total	**74,513**	**(813)**	**(51,853)**	**21,847**

A reclassification of March 2017 costs of £1.25m has been made in Note 2 between other costs and social housing operating expenditure. This relates to a reclassification of corporate recharges which was identified this year. This only impacts on the consolidated numbers and the net impact is nil. This has also been updated in Note 3a.

2. Turnover, Operating Expenditure and Operating Surpluses

Company	2018 Turnover £'000	2018 Operating Expenditure £'000	2018 Operating Surplus / (Deficit) £'000
Social Housing Lettings (note 3a)	-	-	-
Non-Social Housing Activities (note 3c)			
Lettings	37	(195)	(158)
Corporate Services	19,169	(18,635)	534
Total	**19,206**	**(18,830)**	**376**

	2017 Turnover £'000	2017 Operating Expenditure £'000	2017 Operating Surplus / (Deficit) £'000
Non-Social Housing Activities (note 3c)			
Lettings	134	(200)	(66)
Corporate Services	21,134	(19,152)	1,982
Total	**21,268**	**(19,352)**	**1,916**

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

Group Consolidated	General needs housing £'000	Housing for older people £'000	Supported housing £'000	Shared ownership £'000	Total 2018 £'000	Total 2017 £'000
Income						
Rent receivable net of identifiable service charges	21,804	5,126	27,801	420	55,151	55,860
Service charge income	556	1,266	5,666	36	7,524	7,523
Charges for support services	13	256	299	-	568	665
Amortised Government grants	96	-	18	-	114	100
Void guarantees and revenue grants	6	-	1,298	-	1,304	1,515
Other income	126	27	145	5	303	315
Turnover from social housing lettings	**22,601**	**6,675**	**35,227**	**461**	**64,964**	**65,977**
Expenditure						
Management	(6,897)	(94)	(2,195)	(2)	(9,188)	(9,330)
Service charge costs and support	(731)	(1,567)	(6,883)	(41)	(9,221)	(9,222)
Routine maintenance	(5,159)	(362)	(4,855)	(14)	(10,390)	(9,452)
Planned maintenance	(1,615)	(211)	(1,080)	(4)	(2,911)	(2,051)
Major repairs expenditure	(1,399)	(138)	(1,920)	-	(3,457)	(2,750)
Bad debts	(170)	(14)	(108)	-	(292)	(63)
Property operating lease charges			(3,689)		(3,689)	(3,752)
Depreciation of housing properties	(3,717)	(842)	(2,852)	(60)	(7,471)	(7,290)
Impairment of housing properties	16	(155)	(182)		(321)	(348)
Other costs	(602)	(253)	(1,012)	(1)	(1,868)	(2,582)
Operating costs on social housing lettings	**(20,274)**	**(3,636)**	**(24,777)**	**(122)**	**(48,808)**	**(46,841)**
Operating surplus on lettings activities	**2,327**	**3,039**	**10,450**	**339**	**16,156**	**19,136**
Void losses (included within turnover)	(251)	(104)	(3,337)	-	(3,692)	(3,431)

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 £1.3m (2017: £1.5m).

Impairment charges include impairment of previously revalued housing properties. There is a transfer from revaluation reserves of £0.3m (2017: £0.3m) which appears as a credit in the Statement of Changes in Reserves. The net impairment after reserve transfers totalled £21k (2017: £47k).

3(b). Turnover From Non-Social Housing Activities

Group	Group 2018 £'000	Group 2017 £'000
Other		
Supporting People Grant	209	200
Total	**209**	**200**

Parent Company: None

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

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Lettings				
Other rented	364	444	37	134
Commercial properties	155	140	-	-
	519	584	37	134
Other				
Key worker accommodation	3,553	3,436	-	-
Progress Lifeline services	3,221	2,438	-	-
Property Services	-	45	-	45
Support services for young people	376	369	-	-
Property Services provided to other group companies	8	-	9,939	9,998
Corporate services provided to other group companies	-	-	9,035	11,031
Lease income	276	276	-	-
Other	180	56	195	60
	7,614	**6,620**	**19,169**	**21,134**

4. Accommodation in Management

	Group		Company	
Social housing	2018	2017	2018	2017
	No.	No.	No.	No.
General needs housing:				
Social rent general needs housing (exc. AR)	4,213	4,204	-	-
Affordable Rent general needs housing	506	475	-	-
Social rent supported housing (exc. AR)	3,264	3,290	-	-
Low Cost Home Ownership	122	107	-	-
Housing for Older People	1,329	1,331	-	-
Total social housing	**9,434**	**9,407**	-	-
Total non-social rental housing units owned and / or managed	**660**	**696**	**6**	**25**
Social leasehold units owned and / or managed	**191**	**191**	-	-
Total owned and managed	**10,285**	**10,294**	**6**	**25**
Total social housing units owned	**9,614**	**9,587**	-	-

Supported housing units represent the number of tenancies, rather than the number of properties, as some properties are shared by up to four tenants.

5. Surplus For The Year

	Group		Company	
Social housing	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Is stated after charging:				
Auditor's remuneration (excluding VAT)				
In their capacity as auditors	33	34	4	5
In respect of other services	3	13	-	9
Depreciation of tangible fixed assets				
- Housing properties	8,306	8,117	-	-
- Other fixed assets	1,049	919	848	731
Impairment of housing properties	(17)	48	-	-
Impairment on previously revalued amounts	338	300	-	-
Hire of other assets - operating leases				
- Housing properties	3,689	3,752	-	-
- Other fixed assets	588	453	507	383

6. Loss on disposal of property, plant and equipment

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Sale proceeds	3,249	954	1,806	142
Cost of sales	(3,368)	(978)	(1,800)	(161)
Operating costs associated with sales	(274)	(117)	(60)	(4)
Loss on disposals	(393)	(141)	(54)	(23)

Impairment charges of £0.3m (2017: £0.3m) have been accounted for in current and prior years on housing properties disposed of in the year.

7. Interest receivable

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Bank interest receivable	31	35	1	1
Interest on loan to joint venture company	217	225	-	-
	248	260	1	1

8. Interest and financing costs

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
On bank loans:				
Repaid during the year	246	382	-	-
Repayable within 1 year	106	154	-	-
Repayable within 1 & 2 years	301	275	-	-
Repayable within 2 & 5 years	995	1,164	-	-
Repayable wholly or partly in more than 5 years	8,604	9,160	-	-
On finance leases and overdrafts	3	14	3	14
Amortisation of loan issue costs	52	52	-	-
Pension scheme finance costs	322	298	239	226
Amortised during the year	(300)	(287)	-	-
Financing costs	-	277	-	-
	10,329	11,489	242	240
Less : Interest capitalised	(157)	(80)	-	-
	10,172	11,409	242	240

Interest has been capitalised at an average of 3.96% in the year

9. Taxation on Surplus on Ordinary Activities

(a) Analysis of the charge in the period

The tax charge on the surplus on ordinary activities for the year was as follows:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Current tax:				
UK Corporation Tax charge for the year	213	394	213	394
Over provision in previous years	-	(25)	-	(25)
Total current tax	213	369	213	369
Deferred tax:				
Origination and reversal of timing differences	(28)	75	(28)	75
Tax on surplus on ordinary activities	185	444	185	444

(b) Factors affecting tax charge for the period

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Surplus on ordinary activities before tax	8,176	10,151	54	1,654
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 20%)	1,553	2,030	10	331
Effects of:				
(Profits) arising in charitable activities	(1,543)	(1,699)	-	-
Items not allowable for tax purposes	5	6	5	6
Other timing differences	10	67	10	67
Employers pension contributions	153	72	153	72
Movement in fair value of housing properties	5	-	5	-
Effect of differences in current and future tax rates	2	(7)	2	(7)
Over provision in previous year	-	(25)	-	(25)
	185	444	185	444

(c) Factors that may affect future tax charges

A deferred tax liability has been recognised on the Group's fixed assets, primarily IT assets, and other temporary timing differences including provisions.

The deferred tax liability has been calculated at the substantially enacted future rate of tax of 17%.

10. Tangible Fixed Assets - Housing Properties

Group	Housing Properties Completed £'000	Housing Properties Under Construction £'000	Shared Ownership Completed £'000	Shared Ownership Under Construction £'000	Total 2018 £'000	Total 2017 £'000
Cost						
At 1 April	590,076	3,234	6,204	152	599,666	594,612
Additions	4,502	7,206	8	1,662	13,378	8,191
Transferred on completion	7,903	(7,903)	283	(283)	-	-
Transferred to stock	-	-	-	(600)	(600)	(1,012)
Disposals	(3,088)	-	-	-	(3,088)	(2,126)
As at 31 March	**599,393**	**2,537**	**6,495**	**931**	**609,356**	**599,665**
Depreciation						
At 1 April	96,963	-	267	-	97,230	89,997
Charge for the year	8,050	-	57	-	8,107	7,950
Depreciation on disposals	(1,129)	-	-	-	(1,129)	(777)
Impairment	46	-	-	-	46	61
As at 31 March	**103,930**	**-**	**324**	**-**	**104,254**	**97,231**
NBV						
As at 1 April	493,113	3,234	5,937	152	502,435	504,616
As at 31 March	**495,463**	**2,537**	**6,171**	**931**	**505,100**	**502,435**

The value of secured properties (including those charged to third parties) is £407.1m (2017: £401.8m)

Completed Housing properties above include key worker accommodation with a net book value of £22.6m (2017: £23.4m). These properties are not considered to be social housing properties and the related rental income is presented as 'non-social housing income' as the rent is set at a market rate. They are not however considered to be investment properties as the nature of the key worker arrangement means that this still fits the definition of social benefit, and it is therefore appropriate to account for these assets at historic cost.
The above cost in respect of Housing Properties completed comprises:

	Housing Properties Completed 2018 £'000	Housing Properties Completed 2017 £'000 Restated	Shared Ownership 2018 £'000	Shared Ownership 2017 £'000 Restated
Freehold Properties	437,508	463,528	5,406	-
Long-leasehold Properties	58,387	29,585	764	5,936
Total	495,895	493,113	6,170	5,936

The cost includes £157k of interest capitalised at an average 4.1% in the year (2017: £0.8k). Property costs include an apportionment of development staff time directly spent on the administration of development activities amounting to £0.3m (2017: £0.2m) and on in-house legal costs amounting to £10k (2017: £13k).

During the year, the property records have been reviewed at an individual level and restated the freehold and leasehold categories.

Major Repairs, Renewals and Improvements	2018 £'000	2017 £'000
Capitalised components and structural improvements	4,365	3,407
Charged to revenue	3,425	2,861
Total Major Repairs Revenue and Capital	7,790	6,268

10. Tangible Fixed Assets - Other

Group Consolidated	Commercial and Office Properties Leasehold	Freehold	Fixtures & Fittings	Computer Hardware and Software	Investment Properties	2018 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
At 1 April	1,225	1,916	1,465	4,822	3,565	12,993
Additions	-	-	128	269	-	397
Disposals	-	-	-	(67)	(1,835)	(1,902)
Movement in fair value	-	-	-	-	(100)	(100)
At 31 March	**1,225**	**1,916**	**1,593**	**5,024**	**1,630**	**11,388**
Depreciation						
At 1 April	639	501	593	1,721	-	3,454
Charge for the year	47	49	205	748	-	1,049
Depreciation on disposals	-	-	-	(56)	-	(56)
Impairment	37	-	-	-	-	37
At 31 March	**723**	**550**	**798**	**2,413**	-	**4,484**
Net Book Value						
At 1 April	585	1,414	871	3,104	3,565	9,539
At 31 March	**502**	**1,366**	**795**	**2,611**	**1,630**	**6,904**

Company	Other Equipment	Office Properties	Fixtures & Fittings	Computer Hardware and Software	Investment Properties	2018 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 April	280	1,113	136	4,823	2,294	8,646
Additions	-	-	-	260	-	260
Disposals	-	-	-	(67)	(1,790)	(1,857)
Movement in fair value	-	-	-	-	(27)	(27)
At 31 March	**280**	**1,113**	**136**	**5,016**	**477**	**7,022**
Depreciation						
At 1 April	89	230	99	1,720	-	2,138
Charge for the year	56	22	21	749	-	848
Depreciation on disposals	-	-	-	(56)	-	(56)
At 31 March	**145**	**252**	**120**	**2,413**	-	**2,930**
Net Book Value						
At 1 April	191	883	37	3,103	2,294	6,508
At 31 March	**135**	**861**	**16**	**2,603**	**477**	**4,092**

Group and Company

Commercial and office properties, fixtures and fittings, computer hardware and software and other equipment are held at cost less accumulated depreciation.

The Directors review the investment portfolio every year with a formal valuation being obtained at least every three years, with internal assessments being carried out in the interim years. The portfolio was last revalued in 2016/17 by Garside Waddingham, Chartered Surveyors on an open market value basis.

12. Investments In Joint Ventures

Group	2018 £'000	2017 £'000
Share of net liabilities	(4,395)	(4,917)
Subordinated debt loaned to joint venture company	1,810	1,829
Provision for share of liabilities	**(2,584)**	**(3,088)**
Share of profit on ordinary activities after tax	117	34
Share of other comprehensive income/(loss)	407	(951)

Progress Care Housing Association Ltd holds 33.3% (£333) of the equity share capital of Leeds Independent Living Accommodation Holdings Ltd, a Private Finance Initiative commissioned by Leeds City Council to fund the reprovision of accommodation for independent living. This is a joint venture with two other shareholders, Civic PFI Investments Limited and Jack Lunn (Properties) Ltd, each holding 33.3% of the equity share capital.

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. 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 the liability on the swap.

13. Stock

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Property Services - van stock	139	121	139	121
Completed shared ownership properties held for sale	615	537	-	-
Work in Progress	15	-	-	-
	769	**658**	**139**	**121**

14. Debtors

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Amounts falling due within one year:				
Rent and service charge arrears	3,088	3,190	11	7
Less provision for rental bad debts	(1,181)	(1,323)	(11)	(5)
	1,907	**1,867**	**-**	**2**
Trade debtors	1,865	1,641	6	2
Amounts owed by group companies	-	-	721	848
Prepayments and accrued income	2,157	1,892	500	548
Less provision for sundry bad debts	(253)	(182)	(1)	(3)
	3,769	**3,351**	**1,226**	**1,395**
Total Debtors	**5,676**	**5,218**	**1,226**	**1,397**
Amounts falling due after more than one year:				
Deferred tax - fixed asset and other timing differences	(96)	(125)	(97)	(125)
Total Debtors	**5,580**	**5,093**	**1,129**	**1,272**

15. Current Asset Investments

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Bank deposits	-	8,817	-	-
Deposits held in trust - leasehold schemes	184	173	-	-
	184	**8,990**	-	-

16. Creditors: amounts falling due within one year

	Notes	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Bank balances		198	911	198	911
Loans	**19**	2,592	3,679	-	-
Obligations under finance leases	**19**	56	56	56	56
Rent and service charge received in advance		1,267	1,132	1	1
Trade creditors		1,477	1,548	174	370
Accruals and deferred income		5,784	5,426	403	852
Disposal proceeds fund	**17**	-	19	-	-
Pension deficit liability	**27**	242	248	141	137
Recycled capital grant fund	**18**	-	8	-	-
Government grants relating to assets	**19**	123	106	-	-
Corporation tax		153	120	153	122
Other current liabilities		996	929	477	460
Loan remeasurement		313	300	-	-
		13,201	**14,482**	**1,603**	**2,909**

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

17. Disposal Proceeds Fund

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At 1 April		19	19	-	-
Recycling of grant: new build		(19)	-	-	-
At 31 March		-	**19**	**-**	**-**

18. Recycled Capital Grant Fund

	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
At 1 April	**16**	**8**	**8**	-	-
To fund: Grants Recycled		-	-	-	-
Recycling of grant: new build		(8)		-	-
At 31 March		**-**	**8**	-	-
Amount due for repayment to the Homes England		-	-	-	-

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

	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Housing loans	242,073	247,122	-	-
Housing Loans remeasurment	3,884	4,197	-	-
Obligations under finance leases	79	135	79	135
	246,036	**251,454**	**79**	**135**

Maturity of debt Bank and building society loans repayable in instalments as follows:	Note	Group Loan Repayment 2018 £'000	Group Loan Repayment 2017 £'000
Within one year	16	2,592	3,679
Between one and two years		7,327	6,455
Between two and five years		57,179	27,244
After five years		178,249	214,158
		242,755	247,857
Less loan issue costs		(682)	(735)
Amounts falling due after more than one year		242,073	247,122
Total housing loans		**244,665**	**250,801**

Loan Remeasurement	Note	Group Loan Remeasurement 2018 £'000	Group Loan Remeasurement 2017 £'000
As at 1 April		4,497	4,784
Amortisation	8	(300)	(287)
As at 31 March		**4,197**	**4,497**
Due within one year	16	**313**	**300**
Due after one year		**3,884**	**4,197**

Bank and building society loans are secured by fixed charges on the Groups' assets. They include fixed and variable rate loans, at various rates, between 1.0% and 7.21%.

Reserves in the Statement of Financial Position include £89.6m (£81.2m at transition of FRS102 1 April 2014) of Financial Assistance and Government Grants. £0.3m has been recognised in the Statement of Comprehensive Income since transition of FRS102.

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

Repayment of lease Computer hardware lease repayable in instalments as follows:	Note	Group 2018 £'000	Group 2017 £'000	Company 2018 £'000	Company 2017 £'000
Within one year	16	56	56	56	56
Between one and two years		56	56	56	56
Between two and five years		23	79	23	79
		79	135	79	135
Total lease		**135**	**191**	**135**	**191**

Government grants relating to housing assets

Deferred income - Government grants	Note	Group 2018 £'000	Group 2017 £'000
At 1 April		8,495	7,676
Grants receivable		1,212	919
Amortisation to Statement of Comprehensive Income		(113)	(100)
		1,099	819
At 31 March		9,594	8,495
Due within one year	16	124	106
Due after one year		9,471	8,389

20. Non-Equity Share Capital

Group Consolidated and Company	2018 £	2017 £
Allotted Issued and Fully Paid:		
At 1 April	8	6
Issued during the year	3	7
Surrendered during the year	(3)	(5)
At 31 March	8	8

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.

21. Capital Commitments

	Group 2018 £'000	Group 2017 £'000
Capital expenditure contracted but not provided for in the financial statements	4,932	3,807
Capital expenditure that has been authorised by the Board of Directors but has not yet been contracted for	2,795	16,372
	7,727	**20,179**

	Group 2018 £'000	Group 2017 £'000
Progress Housing Group expects the commitments to be financed with:		
Grants	1,736	1,474
Committed loan facilities and free cash flow	5,991	18,705
	7,727	**20,179**

Commitments for payables and receivables in relation to non-cancellable operating leases are analysed below:

	Group Housing Properties 2018 £'000	Group Housing Properties 2017 £'000
Leased from external bodies		
Less than 1 year	3,197	3,446
Within 2-5 years	2,302	3,419
More than 5 years	1,592	1,831
	7,091	**8,696**

	Group Housing Properties 2018 £'000	Group Housing Properties 2017 £'000
Leased to external bodies		
Less than 1 year	334	342
Within 2-5 years	503	687
Later than 5 years	176	219
	1,013	**1,248**

	Group Other Leases 2018 £'000	Group Other Leases 2017 £'000
Leased from external bodies		
Less than 1 year	523	82
Within 2-5 years	827	42
	1,350	**124**

22. Emoluments of the Board and the Directors

Analysis of Non-Executives Emoluments	2018 £'000	2017 £'000
Non-executives remuneration (including expenses £10k (2017 : £8k)	104	101

The Group provides emoluments to Non-Executive Directors.
During the year there were no benefits, other than wages and salaries, payable to Board members.
Details on individual board member remuneration can be obtained from the Group's website.

Analysis of Directors' Emoluments	2018 £'000	2017 £'000
The Directors of the Group are its members and the Executive Officers. All emoluments are contained in the company.		
Emoluments of the Group's Directors including pension contributions	706	682
Emoluments of the Group's Directors excluding pension contributions	657	609
Compensation for loss of office (included in above figures)	111	-
Emoluments of the Chief Executive, who was the highest paid Director, excluding pension contributions	180	171

The Chief Executive of the Group was an ordinary member of a pension scheme up until 31 December 2016, and no enhanced or special terms applied. There are no other individual pension arrangements to which the Group makes a contribution on behalf of the Chief Executive.

23. Employee Information

	Group		Company	
	2018 No.	2017 No.	2018 No.	2017 No.
The average number of full-time equivalent persons employed during the year was:				
Office staff	341	315	213	193
Staff providing tenant services	18	18	-	-
Maintenance	92	94	92	94
	451	**427**	**305**	**287**

Full-time equivalents are calculated based on a standard working week of 36.25 hours for all employees except for 39 hours for property services employees and 36.5 hours for Key Unlocking Futures Limited employees.

Staff costs (for the above persons)	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Wages & salaries	14,116	14,035	10,090	10,206
Social security costs	1,325	1,294	982	946
Other pension costs	1,006	1,913	774	795
	16,447	**17,242**	**11,846**	**11,947**

Group: wages and salary cost includes £0.3m (2017: £0.6m) of restructuring costs. Other pension costs includes £0.02m (2017: £0.5m) for remeasurement of defined benefit scheme pension.

Remuneration bandings for all employees earning over £60,000:	Group		Company	
	2018	2017	2018	2017
£60,000 - £70,000	5	7	4	5
£70,001 - £80,000	1	2	1	2
£80,001 - £90,000	6	8	4	6
£90,001 - £100,000	-	-	-	-
£110,001 - £120,000	-	1	-	1
£120,001 - £130,000	2	3	2	3
£130,001 - £140,000	1	-	1	-
£160,001 - £170,000	-	-	-	-
£170,001 - £180,000	1	-	1	-
£180,001 - £190,000	-	1	-	1
	16	22	13	18

Remuneration for the above includes salaries, pension, bonuses, benefits in kind and compensation for loss of office.
The remuneration bandings for employees earning over £60,000 includes the Directors disclosed in note 22.

24. Cash Flow Statement Notes

Group	1 April £'000	Cash Flow £'000	Other Changes £'000	31 March £'000
Analysis of net debt				
Cash in hand, at bank and overdrafts	192	11,558	-	11,750
Current asset investments	8,990	(8,806)	-	184
Debt due within one year	(3,734)	786	300	(2,648)
Debt due after one year	(251,454)	5,387	32	(246,036)
Total	**(246,006)**	**8,925**	**332**	**(236,750)**

Other changes relate to remeasurement of debt £300k (2017: £287k) and amortisation of borrowing costs £32k (2017: £32k) (see note 19).

25. Related Party Transactions

At the end of the financial year there were no members of the Board who were tenants of the Group (2017: 0). The Group does not report any intercompany transactions under the exemption 33.1a of FRS102.

26. Parent Undertakings and Group Transactions

The Group comprises the following bodies which are 100% wholly owned subsidiaries:	No of shares held	Principal activity
Progress Housing Group Limited	N/A	
Progress Housing Association Limited (formerly New Progress Housing Association Limited)	1	Provision of Social, Supported Housing and Key Worker Accommodation
Progress Care Housing Association Limited and New Fylde Limited, transferred engagements to New Progress Housing Association 30 April 2018	1	Provision of Supported Housing and Key Worker Accommodation
Key Unlocking Futures Limited	N/A	Charitable RP, providing support for the young and homeless
Concert Living Limited	1	Development of homes for outright sale

The Parent company has the ability to appoint and dismiss subsidiary directors.

Key Unlocking Futures Limited is incorporated as a company limited by guarantee incorporated under the Companies Act 2006 and is a registered charity under the Charities Act 2011.

Concert Living Limited was incorporated as a company limited by shares on the 7 April 2017.

27. Post Balance Sheet Event Disclosure

In accordance with section 32 of FRS102, the Group is disclosing that on 30 April 2018, in order to simplify the Group, a Transfer of Engagements of Progress Care Housing Association Limited and New Fylde Limited into New Progress Housing Association Limited completed. This consolidated the 3 registered providers of social housing subsidiaries into a single entity.

New Progress Housing Association Limited changed its name to Progress Housing Association Limited on the same day.

28. 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 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 113 employees in 2018
- 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
- Closing Progress Care Housing Association scheme on 29 March 2018.

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	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Lancashire County Council's Pension Fund		9,150	2,901	10,782	7,812
Social Housing Pension Scheme		1,570	876	1,840	1,025
		10,720	**3,777**	**12,622**	**8,837**
Creditors: Amounts falling due within one year	**16**	242	141	248	137
Pension liabilities		10,478	3,636	12,374	8,700
		10,720	**3,777**	**12,622**	**8,837**

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 15.6% of pensionable salary in the year, and amounted to £620k. The following table details the numbers of staff who are members of the fund. On 29 March 2018, Progress Care Housing Association terminated its scheme and existing employees transferred to either New Progress Housing Association or Progress Housing Group.

Pension Liabilities	Employers' Contributions 2018 £'000	Employers' Contributions 2017 £'000	No. Staff 2018	No. Staff 2017
New Progress Housing Association	51	55	11	16
Progress Care Housing Association	70	85	14	13
Progress Housing Group	499	600	88	104
Discretionary Additional Contribution	-	500		
Total Group	**620**	**1,240**	**113**	**133**

Actuarial Assumptions	2018	2017
Rate of CPI Inflation	2.10%	2.30%
Rate of Increase in Salaries	3.60%	3.80%
Rate of Increase in Pensions	2.20%	2.30%
Discount Rate	2.60%	2.50%

Asset Information

	Market Value at 31 March 2018 £'000	% Split of Assets %	Market Value at 31 March 2017 £'000	% Split of Assets %
Equities	22,412	44.40	-	-
Government Bonds	1,262	2.50	1,014	2.00
Other Bonds	909	1.80	811	1.60
Property	4,745	9.40	4,462	8.80
Cash/Liquidity	(202)	-0.40	558	1.10
Other (includes Credit funds, Overseas pooled & Private equity funds, Infrastructure)	21,353	42.30	43,859	86.50
Total Market Value of Assets	50,479	100.00	50,704	100.00
Present Value of Scheme Liabilities	60,223		63,086	
Net Pension Liability before tax asset	(9,744)		(12,382)	
Deferred tax asset	594		1,600	
Net Pension Liability after tax asset	(9,150)		(10,782)	
Group parent liability	(3,495)		(9,412)	
Deferred tax asset	594		1,600	
	(2,901)		(7,812)	

The liability allocation between Parent and NPHA has changed in 2018 following review by the Group's actuaries to reflect the transfer of some employees from Parent to NPHA in April 2018.
A deferred tax asset of £0.6 million has been recognised in respect of the parent company's LGPS deficit, being 17% of the liability (representative of the substantially enacted future tax rate).
The asset has reduced by £1.006m (£0.657m) in the year due to the reduction in the pension deficit.

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

Balance Sheet Items as at 31 March	**Group 2018 £'000**	**Company 2017 £'000**	**Company 2017 £'000**
Present Value of Funded Benefit Obligations	60,132	21,663	62,989
Present Value of Unfunded Benefit Obligations	91	-	97
Total Present Value of Benefit Obligations	60,223	21,663	63,086
Fair Value of Plan Assets	(50,479)	(18,168)	(50,704)
Deficit before deferred tax asset	**9,744**	**3,495**	**12,382**

Components of pension cost for period to 31 March	**2018 £000's**	**2017 £000's**	**2017 £000's**
Current Service Cost	1,334	1,073	1,051
Net Interest Cost	301	227	251
Admin Expenses	20	16	23
Settlements/Curtailments	(358)	-	132
Total pension cost recognised in Income & Expenditure	**1,297**	**1,316**	**1,457**
Statement of Recognised Total Recognised Surpluses and Deficits			
Remeasurements (liabilities & assets) beofre deferred tax asset	(3,289)	(3,014)	4,702
Transfer of scheme liabilities between other Group companies	-	(3,708)	-
Total Remeasurements included in Statement of Comprehensive Income	**(3,289)**	**(6,722)**	**4,702**

Change in Benefit Obligation during period to 31 March	**Unfunded Benefits**	**Group 2018 £'000 All Benefits**	**Company 2018 £'000 All Benefits**	**Unfunded Benefits**	**2017 £'000 All Benefits**
Benefit Obligation at beginning of period	97	63,086	47,416	233	45,321
Current Service Cost	-	1,334	1,073	-	1,051
Interest on Pension Liabilities	2	1,569	1,178	9	1,616
Member Contributions	-	287	224	-	330
Remeasurements (gain)/loss on assumptions	(2)	(2,756)	9	(139)	15,841
Transfer between other group companies	-	-	(25,501)	-	-
Benefits/transfers paid	(6)	(900)	(654)	(6)	(1,205)
Settlements/Curtailments		(2,397)	(2,082)		132
Benefit Obligation at end of period	91	60,223	21,663	97	63,086

Change in Plan Assets during period to 31 March	**Unfunded Benefits**	**2018 £'000 All Benefits**	**2018 £'000 All Benefits**	**Unfunded Benefits**	**2017 £'000 All Benefits**
Fair value of plan assets at beginning of period	-	50,704	38,004	-	37,586
Interest on plan assets	-	1,268	951	-	1,365
Remeasurements assets	-	553	940	-	11,139
Admin expenses	-	(20)	(16)	-	(23)
Employer contributions	6	626	511	6	1,512
Member contributions	-	287	225	-	330
Transfer between other group companies	-	-	(21,793)	-	-
Settlements	-	(2,039)	-	-	-
Benefits/transfers paid	(6)	(900)	(654)	(6)	(1,205)
Fair value of plan assets at end of period	-	50,479	18,168	-	50,704
Deficit before deferred tax asset	91	9,744	3,495	97	12,382
Actual Return on Plan Assets		1,821			7,361

Post retirement mortality assumptions		
Non-retired members	S2PA CMI_2015 [1.5%] (98% Males, 89% Females)	S2PA CMI_2015 [1.5%] (98% Males, 89% Females)
Retired members	S2PA CMI_2015 [1.5%] (99% Males, 93% Females)	S2PA CMI_2015 [1.5%] (99% Males, 93% Females)
Life expectancy		
of a male (female) future pensioner aged 65 in 20 years' time	25 (28) years	24.9 (27.9) years
of a male (female) current pensioner aged 65	22.7 (25.4) years	22.6 (25.2) years
Market value of total fund assets (£ millions)	**7,458**	**7,116**

28. Pension Obligations (cont.)

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

Tier 2 From 1 April 2016 to 30 September 2023: £28.6m per annum (payable monthly and increasing by 4.7% each year on 1 April)

Tier 3 From 1 April 2016 to 30 September 2026: £32.7m per annum (payable monthly and increasing by 3% each year on 1 April)

Tier 4 From 1 April 2016 to 30 September 2026: £31.7m per annum (payable monthly and increasing by 3.0% each year on 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 £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

28. Pension Obligations (cont.)

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 lability 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:

	Note	Group 2018 £'000	Company 2018 £'000	Group 2017 £'000	Company 2017 £'000
Present Value of provision		**1,570**	**876**	**1,840**	**1,025**
Reconciliation of opening and closing provisions					
Provision at 1 April		1,840	1,025	2,014	1,120
Unwinding of the discount (interest expense)		21	12	39	22
Deficit contributions paid		(272)	(150)	(261)	(144)
Remeasurements - impact of change in assumptions		(19)	(11)	48	27
Remeasurements - amendments to the contribution schedule		-	-	-	-
Provision at 31 March		**1,570**	**876**	**1,840**	**1,025**
Creditors: Amounts falling due within one year	**16**	**242**	**141**	**248**	**137**
Pension liabilities		**1,328**	**735**	**1,592**	**888**
		1,570	**876**	**1,840**	**1,025**
Income and expenditure impact					
Interest expense		21	12	39	22
Remeasurements - impact of change in assumptions		(19)	(11)	48	27
Remeasurements - amendments to the contribution schedule		-	-	-	-
Provision at the end of the period		**2**	**1**	**87**	**49**
Assumptions					
Rate of discount used		**1.72%**	**1.72%**	**1.33%**	**1.33%**

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