

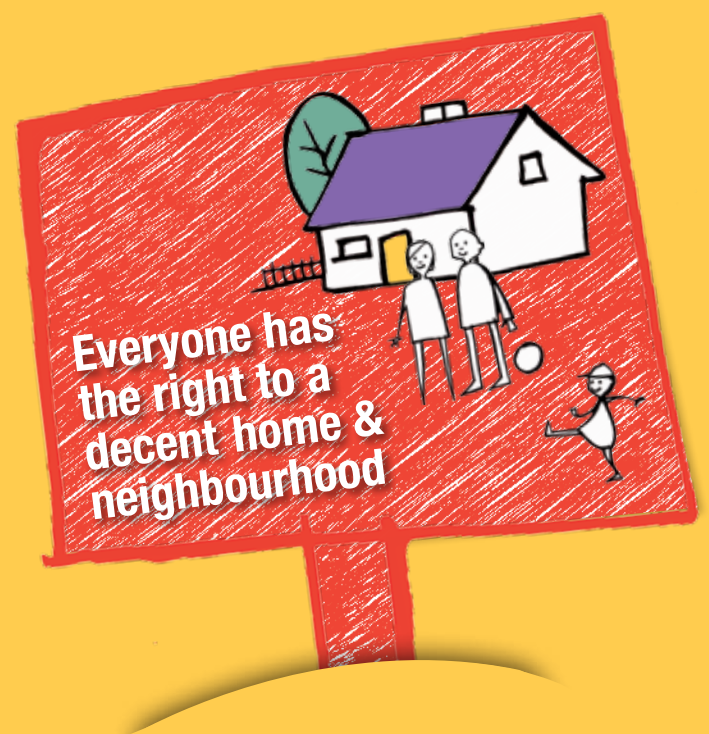


**NEW PROGRESS**  
HOUSING ASSOCIATION LIMITED

# Strength in numbers.

## **Annual Accounts 2013**

Financial statements for the  
year ended 31 March 2013





# NEW PROGRESS

HOUSING ASSOCIATION LIMITED

New Progress Housing Association Limited is a subsidiary of Progress Housing Group Limited.

Registered with the Homes and Communities Agency (LH4032)

Charitable Industrial and Provident Society (27792R)

The registered office for Progress Housing Group Limited and its subsidiaries is:

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w: [progressgroup.org.uk](http://progressgroup.org.uk)



# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

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# NEW PROGRESS HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### MEMBERS OF THE BOARD OF MANAGEMENT, EXECUTIVE OFFICERS AND ADVISERS

#### Members of the Board of Management

S Miller	Chairman	(Retired 11 September 2012)
P Whitworth	Chairman	(Appointed 11 September 2012)
P Holt		
W Staines		
S Tattersall		
B Yates		
L Pickard		
I Wilson		
K Hodson		(Appointed 11 September 2012)
D Morris		(Appointed 11 September 2012)
C Kushner *		(Retired 11 September 2012)
F Smith		(Retired 11 September 2012)

\* Member of Progress Housing Group Audit Committee

#### Secretary

E Hughes

#### Registered Office

Sumner House  
21 King St  
Leyland  
PR25 2LW

#### Executive Officers

J M De Rose BSc MCIH	Group Chief Executive
A Speer MBA, ACMA, BA (Hons)	Executive Director (Finance & Resources)
E Tamanis BA (Hons) ACMA	Executive Director (Business Development & Property Services)
B Keenan BA (Hons), MCIH	Executive Director (Housing, Community and Support Services)
G A Jackson	Group Director of Development And New Business
A Johnson FInstLM, MIoD, MBA	Managing Director Progress Care Housing Association
M Stevenson LLB (Hons)	Executive Director Legal

# NEW PROGRESS HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### MEMBERS OF THE BOARD OF MANAGEMENT, EXECUTIVE OFFICERS AND ADVISERS (CONTINUED)

<b>Statutory Auditors</b>	KPMG LLP St James' Square Manchester M2 6DS	
<b>Principal Solicitors</b>	DWF LLP 1 Scott Place 2 Hardman St Manchester M3 3AA	Gateley Ship Canal House 98 King Street Manchester M2 4WU
<b>Bankers</b>	Barclays PO Box 3333 One Snowhill Snowhill Queensway Birmingham B3 2WN	Santander 2 Triton Square Regents Place London NW1 3AN
<b>Funders</b>	Nationwide Building Society Kings Park Road Moulton Park Northampton NN3 6NW	The Co-operative Bank 3rd Floor, 1 Balloon Street Manchester M60 4EP
	Santander 2 Triton Square Regents Place London NW1 3AN	
<b>Financial and Business Advisers</b>	David Tolson Partnership The Offices 7 Millwood Close Withnell Fold Nr Chorley PR6 8AR	

# NEW PROGRESS HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

NEW PROGRESS HOUSING ASSOCIATION FIVE YEAR FINANCIAL HIGHLIGHTS for the financial years ended 31 March	2013 £000's	2012 £000's	# Restated 2011 £000's	2010 £000's	2009 £000's
<b>Income and Expenditure Account</b>					
Turnover	21,669	21,125	21,064	21,158	20,271
Depreciation	1,979	1,862	1,881	1,811	1,790
Exceptional item	-	-	233	-	-
Impairment and grant amortisation	9	(14)	-	-	-
Operating surplus	7,812	8,634	8,353	7,569	6,511
Surplus for year on ordinary activities	3,710	4,352	2,834	1,659	452
Surplus for year on ordinary activities including exceptional	3,710	4,352	3,067	1,659	452
Interest payable	(5,030)	(4,952)	(5,461)	(5,933)	(6,356)
Historical cost surplus for year	3,352	4,256	3,090	2,202	1,076
<b>Cash Flow</b>					
Cash inflow from operating activities	9,696	12,403	11,029	9,478	9,949
Net cash outflows from returns on investments and servicing of finance	(4,385)	(4,260)	(5,413)	(5,897)	(6,285)
Net cash inflow after servicing of finance	5,311	8,143	5,616	3,581	3,664
Acquisition and construction of housing	(7,225)	(5,537)	(9,663)	(3,039)	(5,075)
Capital grants	472	840	6,645	379	1,125
Net cash outflow for capital expenditure	(7,231)	(6,958)	(4,511)	(2,396)	(4,133)
Net debt	(106,695)	(104,775)	(105,960)	(114,904)	(116,089)
<b>Balance Sheet</b>					
Tangible fixed assets	279,411	262,381	256,277	227,817	222,820
Accumulated depreciation	21,567	20,036	18,926	13,742	11,931
Accumulated social housing grant	30,587	29,809	28,919	19,251	17,516
Net tangible fixed assets	227,257	212,536	208,432	194,824	193,373
Net current assets	8,517	7,470	7,578	2,864	1,639
Debt due after more than one year	116,327	116,382	116,381	117,395	117,843
Pension liabilities recognised on the balance sheet	1,824	1,566	1,430	1,854	1,279
Reserves	117,623	102,058	98,199	78,439	75,890
<b>Key Ratios and Indicators</b>					
Operating margin	36%	41%	40%	36%	32%
Interest cover	195%	212%	187%	160%	133%
EBITDA	9,800	10,482	10,234	9,380	8,301
Net surplus as a % of turnover	17%	21%	15%	8%	2%
Gearing on a revaluation basis	45%	48%	49%	58%	60%

Gearing on a revaluation basis is calculated using total net debt.

# The impact of component accounting required restatement of the year ended 2011 only therefore making further prior years not directly comparable. The impact of the 2011 restatement increased the surplus for the year by £1.1m.

# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

The Board presents its report and the audited financial statements of the Association for the year ended 31 March 2013.

### **OPERATING AND FINANCIAL REVIEW**

#### **Business Overview**

New Progress Housing Association provides high quality homes and housing management for communities across the North West. We took the transfer of the entire housing stock of South Ribble Borough Council in 1994 and since then have grown by building and acquiring new stock. We now own and/or manage around 3,800 properties across the North West including homes for rent, sheltered housing, supported accommodation for people experiencing homelessness, and leasehold accommodation. New Progress Housing Association Limited is a subsidiary of Progress Housing Group Limited.

#### **Objectives and Strategies**

The Group's activities are focused on achieving our vision to be the housing provider of choice. The Group's business plan for 2013-2016 provides a challenging and exciting period ahead, which builds on the existing strength of the organisation and will enable new heights in customer services to be reached. The current political and operating environment presents a period of great change and uncertainty, which will bring forward both opportunities and threats. The plan aims to minimise the threats and make the most of the opportunities. Our objectives are backed up by clear performance measures and will be delivered by a dedicated staff team. The organisation's Board members will monitor progress towards these objectives and undertake an annual review of the business plan.

Our strategic aims include:

- Putting customers at the heart of the business
- Serving local communities
- Providing excellent services
- Continuing to grow the organisation to meet housing need
- Building an even stronger organisation

In 2013 to 2016, the period our business plan covers, these aims will be delivered by undertaking a number of Group-wide priorities, some of which include:

- Delivering high quality housing and services to people who would otherwise have difficulty in accessing the housing market;
- Improving the customer experience and explore new ways to engage customers and deliver services including the use of digital technologies;
- Continuing to improve customer satisfaction with our services by increasing 'right first time' service delivery;
- Achieving performance in the top quartile for our key performance indicators.

Our three-year strategic plan sets out our objectives and outcomes. There are a number of measures the Board will use to monitor achievement of the Group's objectives, which include:

# NEW PROGRESS HOUSING ASSOCIATION LIMITED

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

### REPORT OF THE BOARD

<u>Strategic Aim</u>	<u>Action</u>
Put customers at the heart of the business	<ul style="list-style-type: none"> <li>• We will measure the impact of the sheltered housing review; in particular, demand for homes, empty properties (voids), and viability of schemes.</li> <li>• A Scrutiny Panel has been established and its role will be extended to increase tenant empowerment and to review the findings of the tenant inspection programme.</li> <li>• We will assess satisfaction in our regular status surveys.</li> </ul>
Serve local communities	<ul style="list-style-type: none"> <li>• Our boards and tenant groups will receive regular reports on the outcomes of our training, capacity building and employment generation activities.</li> <li>• Our boards and tenant groups will receive regular reports on involvement and displacement activities for young people.</li> <li>• Publish the achievements of the Community Investment Fund and Panel.</li> <li>• We will assess and track the extent of fuel poverty amongst our customers; we will also achieve target savings under fuel poverty projects.</li> </ul>
Provide excellent services	<ul style="list-style-type: none"> <li>• We will assess our key performance indicators on a regular basis.</li> <li>• We will review customer satisfaction in our regular status surveys.</li> <li>• We will deliver our equality and diversity action plan.</li> </ul>
Continue to grow the organisation to meet housing and related needs	<ul style="list-style-type: none"> <li>• We will assess our performance against specific growth targets detailed in the business plan.</li> <li>• We will influence local strategy decisions and feed into Local Investment Partnerships and strategic partnerships.</li> </ul>
Build an even stronger organisation	<ul style="list-style-type: none"> <li>• We will report to Board regularly on performance against our key financial indicators.</li> <li>• We will survey our staff on a regular basis, normally bi-annually.</li> </ul>



# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

#### **Operating Review and Results for the Year**

Overall satisfaction with services provided by New Progress Housing Association rose to 93.3% which places us firmly in the top quartile nationally. Performance in relation to void relet times, an average of 19 days from the old tenant moving out to the new tenancy commencing, is also top quartile.

The year saw a small increase in gross and net rent arrears (the latter rising from 3% to 3.12% of debit). Some of this worsening performance may be due to the adverse economic conditions and to the initial impact of the government's welfare reform agenda. In response to this a new and strengthened income collection team has been established with the aim of ensuring that arrears are minimised as the roll out of the welfare reform agenda continues. The Group's Financial Inclusion team has been strengthened during the year to ensure that high quality advice and support is available to all tenants who want it and are affected by the welfare reforms.

New Progress Housing Association's control centre (which provides social alarm services to approximately 10,000 customers) achieved re-accreditation as a "platinum standard" (the highest level possible) service provider under the Telecare Services Association's code of practice. The team also exceeded growth projections and now generates in excess of £1.1 million per annum in income for the Group.

The Tenancy Enforcement Team obtained the joint House Mark/Chartered Institute of Housing/Social Landlords Crime and Nuisance Group accreditation for services dealing with anti social behaviour. The Group as whole also achieved re-accreditation for ISO 9001 accreditation and Customer Service Excellence.

The Group's Community Investment Panel makes awards to community groups and other organisations providing support and assistance to our tenants. During the last year a total of 19 New Progress projects have been supported through the panel, with a total investment of £0.1m. Examples of projects supported over the last year include:

- Continued support for the Broadfield community centre called 'The Base' which opened in January 2012 together with a new Community Development Worker on the Broadfield estate;
- Support for the development of a 'Youth Forum';
- Provision of a number of diversionary activities for tenants.

We have seen a slight increase in the number of Right to Buy sales which on an historic cost basis generate surpluses. We will continue to monitor the level of interest and sale completions going forward.

#### **Financial Performance**

Turnover for the year increased by £0.5m, or 2.6%. Operating costs and cost of sales increased by £1.4m, or 10.9%. The operating surplus reduced by £0.8m to £7.8m. The surplus on ordinary activities reduced by £0.6m from £4.4m in 2012 to £3.7m in the year and the reduction is mainly due to unsuccessful Private Finance Initiative (PFI) bid costs and bad debt provision requirements.

Cash flow from operating activities reduced by 44.6% to £6.9m mainly due to movement in working capital and adding back some £2m of depreciation, impairment and amortisation. No new loans were required during the year but the Association continued to develop, showing a net capital spend of £4.6m in the year. Net debt outstanding comprising of cash in hand and at bank, current asset investments, amounts receivable under finance leases and loans increased by £2.1m, or 2%.

Net tangible fixed assets rose to £227.3m, an increase of £14.7m, or 6.9%. This reflects investment in new property and revaluations performed at the year-end on the Association's housing stock.

# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

The Association had £8.5m net current assets at the end of the year, an increase of £1m, which is mainly due to repayment of amounts owed to group companies.

#### **Capital Structure**

In common with all Housing Association Registered Providers, New Progress Housing Association is financed by accumulated debt of £117m (2012: £117m), revenue reserves of £6m (2012: (£2.4m)) out of total reserves of £117.6m and capital grants of £30.6m (2012: £29.8m).. The next repayment on bank and building society loans is due in 2017.

#### **Treasury Management**

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

The Association's interest rate management policy is to have a minimum of 50% fixed rate debt, and individual fixed rate loans shall not exceed 20% of total borrowing obligations within each RP's loan portfolio. The Association has sufficient liquidity in place to meet at least the next 12 months requirements plus an additional buffer. All loan covenants have been complied with in the year.

#### **Operational Performance Indicators**

The Association continues to demonstrate upper quartile performance on many of its performance indicators. We regularly monitor and report on key indicators including rent arrears, void losses, repairs and Decent Homes. Where targets are not being met improvement plans are in place. For a full list of our performance indicators and our current performance against target please visit the Group's website [www.progressgroup.org.uk](http://www.progressgroup.org.uk).

#### **Development Activity**

During the year as part of the Affordable Housing Programme New Progress Housing Association has continued to develop affordable housing within South Ribble and Chorley, this has included 43 new units of accommodation starting on site. In addition throughout the year 11 mortgage rescue properties have been acquired and 24 other units of affordable housing completed and occupied. The Association reported £7.2m cash outflow on acquisition of housing properties. In housing properties held for sale there are 2 shared ownership units all of which were completed in the year.

#### **Financial Planning**

The Association's latest long term financial plan shows a continuing strengthening of Association's financial position over time without any reliance on property sales to meet our objectives. Scenario planning shows the plan is relatively robust, able to withstand significant deterioration in both performance and the external economic environment. Our key strategy remains ensuring we are financially strong, respond to economic and political change and continue to deliver quality services to our customers.

# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

#### **Employee Involvement**

The Association values its staff, and ensures that all staff are given the opportunity to provide comments and feedback through the Staff Forum, team meetings, a staff suggestion scheme and the Group's Intranet. The Group conducts a staff survey every two years to find out what employees views are in relation to their employment with the Group.

#### **Customer Involvement**

More than 10% of tenants took part in some form of community engagement activity during the course of the year, perhaps the most noteworthy being our annual Tenant Conference which was held in March. More than 170 tenants from across the Group attended this inspiring event which is proving to be a hugely successful vehicle for involving our customers in the work of the Association.

Tenant Scrutiny is now firmly established within the Group. The Scrutiny Panel produced their first full report on the Group's procedures for dealing with anti social behaviour. All their recommendations are now being implemented and they have commenced their second review, this time addressing the day to day repairs service.

Teams of tenant inspectors continue to assess various services on a regular basis and most recently a number of "green inspectors" have been added to their number to oversee the work of our new grounds maintenance contractor. During the coming year tenant inspection of our income collection services will be introduced.

One of the Association's tenants won the Social Landlords Crime and Nuisance Group's annual Resident's Award at their annual conference in 2012. The tenant in question, who showed immense bravery in the face of serious harassment and anti-social behaviour, was supported by our Tenancy Enforcement Team under our Witness Protection Programme which itself was a finalist in the 2013 UK Housing Awards.

#### **Regulation**

The Homes and Communities Agency published its Regulatory Judgement in March 2013. It stated that 'The provider meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively'

#### **Value For Money**

The Group seeks to ensure it is financially robust to achieve its priorities year on year. Our priorities are to maintain our existing properties for our tenants, manage our liabilities, improve our operating cash flows, and ensure resilience to the impact of welfare reform and to continue our development programme.

Progress Housing Group Board and Executive Team have revised the VFM strategy in order to ensure that the business continues to deliver VFM in its activities. The board recognises and understands the requirement to ensure the Group is well governed, is aware of our financial risks and remains financially viable whilst facing tough external challenges and pressures. In meeting its responsibilities, the Board has been involved in developing further the strategy during the year and involved in establishing a comprehensive framework to consider value for money. The framework has been developed with officers through away days and reports presented to board.

## **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

The strategy identified a number of strands which assists the Group on focussing on activity areas. These include:

- Income Strategy and Asset Usage
- Cost Strategy and Expenditure Areas
- Profitability Strategy and Benchmarking
- Financial Controls, Fraud, Loss prevention and Contracting
- Procurement

The Board has reviewed regular updates during the year on progress against the strands which provides members with assurance that the Group considers VFM effectively within its core activities.

The Board recognises the importance of income maximisation within the Group (subject to policy and regulatory controls) and not just a focus on cost control. During the year, we have focussed on sheltered properties which need reconfiguring to reflect local demands and needs which will reduce our void losses, improve property provision and lead to increased income.

Cost control is part of our strategy and review areas include asset management, salary and pension provision, governance and senior management structures and taxation. In addition, we have been reviewing our business processes including the role technology has, the use of functional structures for core operations to derive the benefits of specialisation and the continuing role of our service development team in facilitating service reviews.

We have also reviewed our service charge costs across many parts of the business to ensure we keep service charges to our customers at appropriate levels, which are affordable and recover costs. Within New Progress Housing Association we have scrutinised all our charges and undertaken procurement activities including an OJEU tender for the grounds maintenance contract.

Our Procurement Team has worked with all areas of the business to review contracts with the aims of the following:

- Value for money assessment including market testing
- Procurement compliance
- Process improvement with outputs, administration, contract management, service delivery, streamline purchase to pay, compliance and improved supplier relationships
- Social value impact assessment
- Increased awareness for staff on procurement and VFM

During the 2012-2013 year, we reviewed a number of contracts across the Group which represent circa 10% of the Groups operating costs. These are wide ranging from mobile phones, white goods, maintenance materials, utility contracts, cleaning materials, vehicle supplies, copiers and fuel provision. The contract reviews lead to savings to tenants either in reductions in service charges, process or management information improvements. As part of our procurement reviews we also consider the social value impact which can be seen through division of larger contracts into smaller lots with positive impact on SME's, working with suppliers who can demonstrate strong social value links, working with suppliers with a strong local presence as an employer and substitution of environment friendly products at no extra cost.

We monitor and seek to improve on our operating margin each year for each subsidiary which reflects the impact of our strategy. Improving our operating margin we can demonstrate our VFM outcomes and benchmark ourselves against our peers, and ensure a sustainable development strategy. Customers and stakeholders are involved within some procurement activities and also take part in our annual budget setting process.

# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

#### **Outlook Going Forward**

We will continue to develop properties including participating in the HCA Affordable Homes Programme and continue to explore other ways in which we can deliver more homes. The increased risks of developing with much lower levels of grant provides challenges which the Group will manage.

As we are a growing organisation we have secured additional premises to accommodate our staff requirements, which will come into use at the end of summer 2013. We are also investing significantly in new technology and our board and staff are committed to improving our systems and business processes over the next three years.

#### **Principal Risks and Uncertainties**

The Association regularly assesses and reports on the principal risks. Risks are recorded in the risk register which is reviewed quarterly and records key controls to manage each risk, who is responsible for the control and how the control effectiveness is monitored. Risks are analysed according to their impact and probability given the control environment. The main risks that may prevent us achieving our objectives are:

##### **Impact of Welfare Reform Act 2012**

The Association has been assessing the impact of welfare reform changes on our customers and on our cash flow position. Staff resources have been increased across the group to deliver support to our customers and the business in light of these changes. The Financial Inclusion team play an important role in supporting individual customers to manage their finances, particularly with any personal changes affecting them. Close working relationships with the local authority Housing Benefit departments has enabled the effective exchange of information to target resources on those affected.

Detailed reviews of our profiling and property categorisation has been undertaken to inform our position. In addition to this the impact of increased arrears has been profiled with various scenarios. Provisions have been made within the business plan for increases in the levels of bad debts although impacts remain uncertain.

A Welfare Reform action plan is in place to manage all the risks and various elements of the Welfare Reform and their impacts.

##### **Defined Benefit Pension Scheme Liabilities**

The Association continues to proactively manage the level of the liability in respect of defined benefit final salary pension schemes. The Group Board has approved closing the schemes to new membership, thus reducing the employer cost of pensions and approved additional payments to reduce the pension liabilities. The Group is reviewing arrangements with SHPS trustees regarding the non-asset holding company employer debt liability.

##### **Customer and Supplier Risks – Credit, Liquidity, Fraud and Insolvency**

The Association monitors closely rental and other debtors and the solvency of suppliers. The procurement team has reviewed its supplier approval process and worked closely with its suppliers with regard to financial and other risk assessment criteria.

## **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

##### **Development Activities**

The Association's strategy is to consider development opportunities within a framework which considers financial, commercial and regulatory risks. We consider implications of each potential development on key constraints including business planning approvals, funding, security and external pressures. We ensure we continue to maintain healthy surpluses whilst managing our finite security position.

##### **Risk Management**

Risk Management is embedded throughout the Group with each department in the organisation participating in a risk management process, which includes:

- The operation of Risk Maps and Risk Reports
- The Group Audit Committee act in a risk management role on behalf of the Group and its subsidiaries
- Internal Audit carrying out a review of the corporate risk management processes
- Control checks for compliance that are regularly reviewed to ensure the Group adopts best practice.

##### **Corporate Governance**

The Group adopted the National Housing Federation's Code of Good Governance in 2004 and seeks at all times to comply with this and with best practice with regards to corporate governance. The Group's compliance with the new code which was issued in July 2010 'Excellence in Governance' is reviewed on an annual basis with the outcome of the review being reported to the Group's Remuneration Committee.

The adoption of and reporting of any variation from the adopted code is part of the regulators regulatory requirements. This statement is therefore part of the Group's regulatory compliance and is presented on a "comply or explain" basis. Following our annual review of compliance in 2012 and the actions taken following this, it is the Group's assertion that it fully complies with the code.

##### **Governance Structure**

The Board of Progress Housing Group sets the strategic direction for the Group as a whole through the preparation and monitoring of the Group's business plan and through a series of corporate policies. The framework of control set out in the Intra Group Agreement, Scheme of Delegation, Financial Regulations and the Groups Code of Governance provides the structure of governance within the group. The Group Board oversees the Group-wide governance, risk management, funding and treasury management matters.

The Group and Subsidiary companies have established a number of standing committees to progress work on behalf of the Group members. Each committee has its own terms of reference as set out within the Group's Code of Governance. The composition of each of the committees and a brief résumé of their role is set out below.

The standing committees of the Group consist of:

##### **Group Audit and Risk Committee**

Comprising up to six Non Executive Directors the committee has responsibility for the oversight of the internal audit programme, recommending the appointment of the external auditors, approving accounting policies and approving the risk control framework.

# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

#### **Group Remuneration & Governance Committee**

The committee comprises up to six Non Executive Directors and is responsible for setting remuneration policy for staff and Non Executives, together with overseeing all other Human Resource policies. In addition the committee oversees the appraisal of the Chief Executive, and recommends to the Group Board the CEO remuneration package for their approval. The committee also acts as the Nominations Committee for the Group making recommendations to the AGMs for appointments to the board across the Group.

#### **Group Tenant Scrutiny Panel**

The panel consists of up to nine tenants (three from each subsidiary association) and scrutinises various areas of the Group's operations and recommends improvements for the benefit of tenants and customers to the Boards for implementation.

#### **Directors**

The names of the directors who have served during the year are shown on Page 2 and the Board would like to thank them all for their support and continued interest in the work of the Association.

#### **Internal Controls Assurance**

##### **Compliance Statement**

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. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group's assets and interests.

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

The processes adopted by the Board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework include:

##### **Identification and evaluation of key risks**

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group's activities. This process is co-ordinated through a regular monitoring framework and reported to the Group Audit Committee (in their risk management role). The Executive Team regularly considers reports on significant risks facing the Group and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

## **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

##### **Internal and external audit functions**

The Internal Audit function is resourced in-house and reports directly to the Group Executive Director of Finance & Resources although mechanisms are in place to ensure that the Internal Audit Team remains independent. The annual Internal Audit programme, which is approved (and reviewed each quarter) by Audit Committee, is linked to the risk identification process. Departmental risk maps are used as a reference point for internal audit work and all audit reports are reviewed by Audit Committee.

Internal Audit endeavour to ensure that all audit work is in with compliance with the International Standards for Professional Practice of Internal Auditing.

The external auditors have been in regular contact with the Group, including attendance at Audit Committee meetings and liaison with the internal auditors. Non-audit work undertaken by the external auditors is limited and therefore it is considered that audit independence is not compromised.

Where appropriate, specific specialist audits such as IT and Asbestos have been outsourced.

##### **Financial Statements Disclosures**

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. In addition, proposed and actual changes to the Statement of Recommended Practice and the Accounting Direction for Housing Association Registered Providers, and the introduction of IFRS based standard to replace existing UK GAAP have been reported.

##### **Monitoring and corrective action**

The process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management, the Audit Committee and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.

##### **Control environment and control procedures**

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.

These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud detection and prevention. A comprehensive Board Member self assessment and training programme has been developed to ensure that Board Members remain professionally updated and are equipped with the skills to meet the needs of the business.

The Group continued to retain its external accreditations providing external assurance regarding the effectiveness of the Group's systems and procedures. Assurance was also provided from our regulator (the HCA) that the Group operates a financially viable business that is properly governed and managed.



## **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **REPORT OF THE BOARD**

It is inherently recognised that the Group does not tolerate fraud and action is taken to reduce the risk of fraud through systems of internal control. The fraud policy and response plan and whistleblowing (raising concerns at work) policy are incorporated within the Governance framework.

#### **Information and financial reporting systems**

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. Both internal and external reviews of the budget setting process confirmed appropriate links with the Group's efficiency reporting mechanisms.

The internal control framework and the risk management process are subject to regular review by Internal Audit who are responsible for providing independent assurance to the Board via the Audit Committee. The Audit Committee considers internal control and risks at each of its meetings during the year.

All significant new initiatives, major commitments and investment projects are subject to formal review and authorisation, through the Funding Appraisal Team (FAT), and require Board approval.

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. This process has been in place throughout the year under review and is regularly reviewed by the Board. The Board has conducted its annual review of the effectiveness of the systems of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management framework and the control process. It can confirm that there have been no significant weaknesses in controls resulting in material losses, contingencies or uncertainties, which would have required disclosure in the financial statements.

#### **Donations**

The Association made £10,000 of charitable donations during the year (2012: £10,200).

#### **Going Concern**

After making appropriate enquiries, and considering the impact of new developments and activities, the Board is satisfied that no significant risks or exposures exist other than those disclosed in the financial statements. 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 operating review has been prepared in accordance with Reporting Statement on the Operating and Finance Review.

# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE BOARD**

#### **Statement of Disclosure to the Auditors**

At the time of approval of this report:

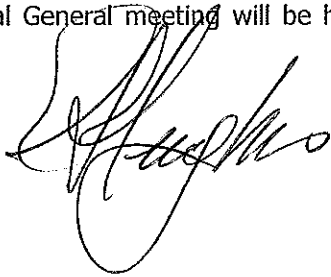
- a) so far as the Board Members are aware, there is no relevant audit information of which the Association's auditor is unaware, and
- b) the Board Members have taken all steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish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

#### **Auditors**

KPMG 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 next Annual General meeting will be held at Warwick House, Lytham St Annes, Lancashire on 2<sup>nd</sup> September 2013.



Secretary

2 September 2013

# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **STATEMENT OF BOARD'S RESPONSIBILITIES**

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

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

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the association and of the surplus or deficit for that period.

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

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the association and enable them to ensure that its financial statements comply with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and The Accounting Direction for Social Housing in England April 2012. The Board has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the association and to prevent and detect fraud and other irregularities.

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

# **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

## **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

### **REPORT OF THE INDEPENDENT AUDITOR**

#### **Independent auditor's report to the members of New Progress Housing Association Limited**

We have audited the financial statements of New Progress Housing Association Limited for the year ended 31 March 2013 set out on pages 20 to 39. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. 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 association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of the Board and auditor**

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

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

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the association as at 31 March 2013 and of its surplus for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and The Accounting Direction for Social Housing in England April 2012

**NEW PROGRESS HOUSING ASSOCIATION LIMITED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2013**

**REPORT OF THE INDEPENDENT AUDITOR**

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

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 require us to report to you if, in our opinion:

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

*Hywel Jones.*

**Hywel Jones (Senior Statutory Auditor)  
for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
St James' Square  
Manchester  
M2 6DS**

**Date:** *4 September 2013.*

NEW PROGRESS HOUSING ASSOCIATION LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

**Income and Expenditure Account  
For The Year Ended 31 March 2013**

	Notes	2013 £'000	2012 £'000
Turnover	2	21,669	21,125
Operating costs	2	(13,714)	(12,491)
Cost of Sales	2	(143)	-
<b>Operating surplus</b>	<b>5</b>	<b>7,812</b>	<b>8,634</b>
Surplus/(Deficit) on disposal of fixed assets	6	308	-
Interest receivable	7	620	1,000
Interest payable and similar charges	8	(5,030)	(5,000)
<b>Surplus for the year before and after tax</b>		<b>3,710</b>	<b>4,634</b>

**Statement of Historical Cost Surpluses and Deficits  
For The Year Ended 31 March 2013**

	2013 £'000	2012 £'000
Reported surplus on ordinary activities before and after taxation	3,710	4,352
Realisation of property revaluation reserve on disposals	(358)	(96)
<b>Historical cost surplus on ordinary activities before and after taxation</b>	<b>3,352</b>	<b>4,256</b>

The Association is charitable and exempt from corporation taxation under the provisions of S505 ICTA 1988.

**Statement of Total Recognised Surpluses and Deficits  
For The Year Ended 31 March 2013**

	Notes	2013 £'000	2012 £'000
Surplus for the year before and after tax		3,710	4,352
Unrealised gain/(loss) on revaluation	19	12,091	(365)
Actuarial (loss) on pension fund assets	19/27	(236)	(128)
Surplus for the year		15,565	3,859
Prior year adjustment in relation to adoption of component accounting		-	(2,401)
<b>Total surpluses recognised since last annual report</b>		<b>15,565</b>	<b>1,458</b>

The notes on pages 23 to 39 form an integral part of the financial statements.

**NEW PROGRESS HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**Balance Sheet**  
**As at 31 March 2013**

	Notes	2013 £'000	Restated 2012 £'000
<b>Tangible Fixed Assets</b>			
Housing properties at valuation/cost	9	256,833	241,364
Social housing and other capital grants	9	<u>(30,587)</u>	<u>(29,809)</u>
		226,246	211,555
Other tangible fixed assets	10	<u>1,011</u>	<u>981</u>
		227,257	212,536
<b>Current Assets</b>			
Stock of housing properties for sale	11	66	75
Debtors - due within one year	12	1,501	1,106
Debtors - due after one year	12	7,833	7,835
Investments	13	1,576	3,517
Cash at bank and short term deposits		<u>221</u>	<u>253</u>
		11,197	12,786
<b>Less Creditors</b>			
Amounts falling due within one year	14	<u>(2,680)</u>	<u>(5,316)</u>
<b>Net current assets</b>		8,517	7,470
		<u>235,774</u>	<u>220,006</u>
<b>Total assets less current liabilities</b>			
		<u>235,774</u>	<u>220,006</u>
<b>Creditors</b>			
Amounts falling due after more than one year	17	116,327	116,382
Pension liability	27	1,824	1,566
<b>Capital and reserves</b>			
Non equity share capital	18	-	-
Revaluation reserves	19	111,650	99,201
Designated reserves	19	-	442
Revenue reserves	19	<u>5,973</u>	<u>2,415</u>
		235,774	220,006

The 2012 restated balance sheet's net current asset position remains unchanged see note 13 for further detail.

The notes on pages 23 to 39 form an integral part of the financial statements.

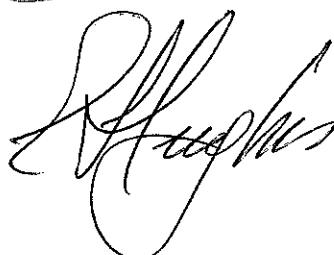
The financial statements on pages 20 to 39 were approved by the Board of Management on 5th August 2013 and were signed on its behalf by:



Board Member



Board Member



E. Hughes

Secretary

**NEW PROGRESS HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**Cash Flow Statement**  
**For The Year Ended 31 March 2013**

	Notes	£'000	2013 £'000	£'000	Restated 2012 £'000
<b>Net cash inflow from operating activities</b>			9,696		12,403
<b>Returns on investments and servicing of finance</b>	24		(4,385)		(4,260)
<b>Capital expenditure</b>					
Acquisition and construction of housing properties		(7,225)		(5,537)	
Acquisition of components		(2,266)		(2,369)	
Social housing grant received		472		840	
Proceeds of sales of housing properties to other related company		1,353		-	
Purchase of other fixed assets		(85)		(58)	
Proceeds of sales of housing properties		520		166	
			(7,231)		(6,958)
<b>Net cash (outflow)/inflow before management of liquid resources and financing</b>			(1,920)		1,185
<b>Management of liquid resources</b>					
Cash (placed in)/withdrawn from short term deposits		(912)		514	
Loan to other group companies repaid/(advanced)		3,000		(1,500)	
			2,088		(986)
<b>Financing</b>	24		(53)		3
<b>(Decrease)/Increase in cash</b>			115		202
<b>Reconciliation of operating surpluses to net cash inflow from operating activities</b>					
Operating surplus			7,812		8,634
Development for sale			(55)		-
Depreciation charges			1,979		1,863
Impairment charges			23		-
Grant amortisation			(14)		(14)
Difference between pension charge and cash contributions			(5)		8
Cash (out)/in flow from (increase)/decrease in debtors			(53)		1,678
Cash (out)/in flow from (decrease)/increase in creditors			9		234
Net cash inflow from operating activities			9,696		12,403
<b>Reconciliation of net cash flow to movement in net debt</b>					
(Decrease)/Increase in cash			115		202
(Decrease)/Increase in liquid resources			(2,088)		986
Change in loans			-		-
Issue costs	24	55		(1)	
Change in finance leases		(2)		(2)	
			53		(3)
Change in net debt			(1,920)		1,185
Net debt at 1 April			(104,775)		(105,960)
Net debt at 31 March	24		(106,695)		(104,775)

The 2012 cash flow statement has been restated to include short term loans to group companies in the net debt position.



## **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **1. ACCOUNTING POLICIES**

New Progress Housing Association Limited is incorporated under the Industrial and Provident Societies Act 1965 and is registered with the Homes and Communities Agency as a Registered Provider.

##### **(1) Basis of Accounting**

The financial statements of the Association are prepared in accordance with applicable financial reporting standards in the UK and the Statement of Recommended Practice for Registered Social Landlords (SORP) issued in 1999 and updated in 2010, and complies with The Accounting Direction for Social Housing in England April 2012.

The financial statements are prepared on a revaluation basis for complete housing properties only.

The 2012 restatements in notes 4 & 5 relate to implementing The Accounting Direction for Social Housing in England April 2012. Disclosing and splitting general needs housing accommodation in management into number of units at affordable rent and social rent levels and disclosing auditor's remuneration excluding VAT.

Other accounting policies have been consistently applied from the prior year and throughout the Group. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The Association believes it has adequate resources to manage its business risks successfully despite the current economic climate. The Report of the Board details the Association's objectives, policies and processes for managing its financial risks. Therefore the going concern basis of accounting has been adopted in the preparing the financial statements.

##### **(2) Turnover**

Turnover comprises:

- Rental income receivable from tenants and leaseholders in the year;
- Income from other services supplied in the year excluding VAT;
- Income receivable from charges made to fellow Group subsidiaries under Service Level Agreements.
- Income from sales of housing properties.

## **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

#### **(3) Housing Properties**

Completed housing properties are stated at valuation on the basis of existing use for social housing ("EUV-SH") and open market value ("OMV"). For a number of properties, the historic cost less depreciation of the property exceeds the valuation (being EUV-SH), thus creating a negative revaluation reserve. For such properties impairment testing has been performed with no further impairments identified.

Staff flats are held at historic net book value as these units do not generate any rental cash flows.

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

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

Structure	80 years
Kitchen	10-15 years
Bathrooms	15-30 years
Boilers	15 years
Heating system	30 years
Windows & doors	30 years
Lifts	25 years
Photo Voltaic Installations	25 years

Freehold land is not depreciated.

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

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

SHG can be recycled by the Registered Provider under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Tenant Services Authority. 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. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

## **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

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

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

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

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

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

- Fixtures and Fittings in furnished properties over 3 years.
- Freehold Commercial properties over 30 years.

#### **(7) Pensions**

New Progress Housing Association Limited participates in two pension schemes, Lancashire County Council's Superannuation Fund and the Social Housing Pension Scheme administered by the Pensions Trust. Contributions to the pension schemes are calculated as a percentage of pensionable salaries of employees, determined in accordance with actuarial advice. The cost of providing a pension is charged to the period over which the Association's benefits from the employee's service, in accordance with FRS17.

#### **(8) Works to Existing Properties**

The Association capitalises expenditure on housing property which substantially adds to the value of the property or substantially extends its useful life, or which generates an increase in net rental income or a substantial reduction in future maintenance costs.

#### **(9) Taxation**

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

## **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

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

The Association is registered for VAT. A large proportion of its income, including rents, is exempt from VAT. Most of its expenditure is subject to VAT which cannot be reclaimed and expenditure is therefore shown inclusive of VAT. Any VAT recovered under the partial exemption rules is credited to the Income and Expenditure Account.

#### **(11) Stock**

Stock of housing for sale is stated at the lower of cost and net realisable value.

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

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

#### **(13) Finance leases**

The Association leases a number of housing properties to other associations within the Group. These are shown as long-term debtors in accordance with SSAP 21. The lease income is shown as turnover.

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

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

#### **(14) Service Charge Sinking Funds**

Service charge sinking funds are dealt with as creditors.

#### **(15) Finance Costs**

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

#### **(16) Properties Managed by Agents**

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

## **NEW PROGRESS HOUSING ASSOCIATION LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

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

In both cases, the assets and associated liabilities are included in the balance sheet.

#### **(17) 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.

#### **(18) First Tranche Shared Ownership Sales**

The Association has adopted the accounting treatment per the SORP 2010 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

#### **(19) Designated Reserves**

Designated reserves have had no movement for several years and therefore have been written back to revenue reserves in the current year with no impact on the Income and Expenditure Account. The majority of designated reserves relate to fixed assets for which there is no requirement to hold a designated reserve. As such fixed assets are capitalised and depreciated over the life of the asset therefore smoothing the impact in the year of acquisition on the Income and Expenditure Account.

NEW PROGRESS HOUSING ASSOCIATION LIMITED  
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013

2 Turnover, Operating Costs and Operating Surpluses

	2013			
	Turnover £'000	Operating Costs £'000	Cost Of Sales £'000	Operating Surplus £'000
<b>Social Housing Lettings (note 3a)</b>	18,226	(12,704)	-	5,522
<b>Other Social Housing Activities (note 3b)</b>				
Lease income from other group companies	2,022	(394)	-	1,628
<b>Development For Sale</b>				
Shared ownership property sales	198	-	(143)	55
<b>Non Social Housing Activities (note 3c)</b>				
Lettings	316	(124)	-	192
Other	907	(492)	-	415
<b>Total</b>	<b>21,669</b>	<b>(13,714)</b>	<b>(143)</b>	<b>7,812</b>

	2012			
	Turnover £'000	Operating Costs £'000	Cost Of Sales £'000	Operating Surplus £'000
<b>Social Housing Lettings (note 3a)</b>	17,204	(11,538)	-	5,666
<b>Other Social Housing Activities (note 3b)</b>				
Lease income	2,675	(293)	-	2,382
<b>Non Social Housing Activities (note 3c)</b>				
Lettings	304	(78)	-	226
Other	942	(582)	-	360
<b>Total</b>	<b>21,125</b>	<b>(12,491)</b>	<b>-</b>	<b>8,634</b>

3(a) Income and Expenditure From Social Housing Lettings

	General needs housing £'000	Housing for older people £'000	Supported housing £'000	Shared Ownership £'000	Total 2013 £'000	Total 2012 £'000
<b>Income</b>						
Rent receivable net of identifiable service charges	12,083	3,580	135	11	15,809	14,851
Service charge income	333	802	166	1	1,302	1,231
Charges for support services	-	641	351	-	992	1,039
Void guarantee	6	-	-	-	6	19
Other Income	84	33	-	-	117	64
<b>Turnover from social housing lettings</b>	<b>12,506</b>	<b>5,056</b>	<b>652</b>	<b>12</b>	<b>18,226</b>	<b>17,204</b>
<b>Expenditure</b>						
Management	(3,571)	(41)	(18)	(1)	(3,631)	(3,306)
Service charge costs and support	(309)	(1,285)	(467)	(1)	(2,062)	(1,965)
Routine maintenance	(2,872)	(213)	(11)	-	(3,096)	(2,995)
Planned maintenance	(741)	-	-	-	(741)	(690)
Major repairs expenditure	(1,199)	-	-	-	(1,199)	(984)
Bad debts	(279)	(6)	(2)	-	(287)	(20)
Depreciation of housing properties	(1,134)	(411)	(24)	(2)	(1,571)	(1,534)
Other costs	(86)	(31)	-	-	(117)	(44)
<b>Operating costs on social housing lettings</b>	<b>(10,191)</b>	<b>(1,987)</b>	<b>(522)</b>	<b>(4)</b>	<b>(12,704)</b>	<b>(11,538)</b>
<b>Operating surplus on social housing lettings</b>	<b>2,315</b>	<b>3,069</b>	<b>130</b>	<b>8</b>	<b>5,522</b>	<b>5,666</b>
Void losses (included within net rental income)	(97)	(46)	(12)	-	(155)	(166)

A number of the void losses above are subject to agreements where NPHA is compensated for its losses. These void guarantees are chargeable to third parties in the year and totalled £6k (2012: £19k).

3(b) Turnover From Social Housing Activities

	2013 £'000	2012 £'000
<b>Other</b>		
Lease income	22	21
Lease income from group companies	2,000	2,654
	2,022	2,675

3(c) Turnover From Non-Social Housing Activities

	2013 £'000	2012 £'000
<b>Lettings</b>		
Other rented	274	257
Commercial properties	42	47
	316	304
<b>Other</b>		
Control centre activities	834	836
Agency agreements	7	47
Other	21	17
Key worker accommodation	45	42
	907	942

**NEW PROGRESS HOUSING ASSOCIATION LIMITED**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2013**

**4 Accommodation In Management**

	<b>2013</b>	<b>Restated</b>
	<b>No. Units</b>	<b>2012</b>
		<b>No. Units</b>
<b>Social housing</b>		
General needs housing:		
At social rent	2,775	2,789
At affordable rent	40	-
Low cost home ownership	10	7
Supported housing	39	48
Housing for older people	931	933
<b>Total social housing</b>	<b>3,795</b>	<b>3,777</b>
<b>Non social housing</b>		
Market rented	1	1
Key worker accommodation	8	8
Other non-social housing	78	72
<b>Total non social housing</b>	<b>87</b>	<b>81</b>
<b>Total owned and managed</b>	<b>3,882</b>	<b>3,858</b>

The Association owns 8 properties (2012: 8) that are managed on its behalf, under management agreements, by other bodies.

**5 Surplus For The Year**

	<b>2013</b>	<b>Restated</b>
	<b>£'000</b>	<b>2012</b>
		<b>£'000</b>
Is stated after charging:-		
Auditors remuneration (excluding VAT)		
In their capacity as auditors	8	8
In respect of other services	3	3
Payments under operating leases		
- motor vehicles	18	18
Grant amortisation	(14)	(14)
Depreciation of tangible fixed assets		
- housing properties	1,924	1,803
- other fixed assets	55	59
Impairment of housing properties	23	-

**6 Surplus/(Deficit) on Disposal of Fixed Assets**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Sale proceeds	1,729	166
Cost of sales	(1,367)	(227)
Operating costs associated with sales	(54)	-
Surplus/(Deficit) for Year	308	(61)

Impairment charges of £0.1m have been accounted for on housing properties disposed in the year.



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**7 Interest Receivable**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Bank interest receivable	12	6
Interest receivable from group companies	40	157
Other finance charge from group companies on finance leases	568	568
	620	731
	620	731

**8 Interest Payable and Similar Charges**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
On bank loans:		
Repayable within 5 years	315	-
Repayable wholly or partly in more than 5 years	4,687	4,966
Repayable wholly or partly in more than 5 years	-	-
Amortisation of loan issue costs	19	17
Pension scheme finance costs	27	14
Interest payable to group companies	5	-
	5,053	4,997
Less : Interest capitalised	(23)	(45)
	5,030	4,952

9 Tangible Fixed Assets - Housing Properties

	Housing Properties Completed	Housing Properties Under Construction	Shared Ownership Completed	Shared Ownership Under Construction	2013 Total	Restated 2012 Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost (net of SHG) or valuation</b>						
At 1 April 2012	210,891	313	286	64	211,554	207,447
Additions	2,263	3,682	-	165	6,110	6,575
Transferred on completion	2,533	(2,533)	94	(94)	-	-
Transfer to current assets	-	-	-	(135)	(135)	(75)
Disposals	(806)	-	-	-	(806)	(821)
Disposals to other group companies	(1,353)	-	-	-	(1,353)	-
Depreciation	(1,922)	-	(2)	-	(1,924)	(1,799)
Impairment	(23)	-	-	-	(23)	-
Depreciation on disposals	435	-	14	-	449	498
Abortive costs	(75)	-	-	-	(75)	-
Gain/(loss) on revaluation	12,558	-	(109)	-	12,449	(270)
As at 31 March 2013	224,501	1,462	283	-	226,246	211,555
<b>Cost or valuation is represented by:-</b>						
Gross cost	163,594	2,120	528	-	166,242	161,746
Less:						
Social housing and other capital grants	(29,658)	(658)	(271)	-	(30,587)	(29,809)
Depreciation	(21,051)	-	(8)	-	(21,059)	(19,583)
	112,885	1,462	249	-	114,596	112,354
Revaluation reserve	111,616	-	34	-	111,650	99,201
	224,501	1,462	283	-	226,246	211,555

The 2012 restatement does not affect net assets and relates to commercial properties being reclassified as commercial properties in traditional fixed assets.

The above valuation in respect of Housing Properties completed comprises

	Housing Properties Completed		Shared Ownership Completed	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Freehold Properties	209,756	197,236	-	-
Long leasehold Properties	14,745	13,852	283	286
Total	224,501	211,088	283	286

All housing properties are professionally valued on a five year rolling programme of revaluation.

The last full detailed valuations on completed housing properties were performed by Countrywide Social Housing and Jones Lang La Salle, chartered surveyors, on the basis of open market value for social housing existing use (OMV-EU) as at 31st March 2013. The valuations were undertaken in accordance with the RICS Statement of asset valuation practice and guidance notes. In preparing the valuations, the valuers made use of discounted cash flow methodology and key assumptions made concerning future rental flows, the rate of turnover of existing tenants and the discount rate. The discount rate used was 6%. The valuers estimated the aggregate existing use value - social housing of the completed properties at 31st March 13 to be £184.6m.

For completed housing properties not valued in the current year the last professional valuation was carried out by Driver Jonas Deloitte, chartered surveyors, on the basis of open market value for social housing existing use - with sales (OMV-EU) as at 31st March 2011. The valuers estimated the aggregate market valuation of the completed properties at 31st March 11 to be £39.3m.

The last full professional valuation on the shared ownership properties was carried out by Countrywide Social Housing, chartered surveyors, on the basis of open market value (MV) as at 31 March 2013. The valuation was undertaken in accordance with the RICS Statement of asset valuation practice and guidance notes. The discount rate used was 6%. The valuers estimated the aggregate market valuation of all the shared ownership properties at 31st March 13 to be £0.3m.

Properties actively held for sale as at 31st March 2013 are held at recoverable amount £0.3m (March 2012: £0.2m).

Staff flats re held at historic net book value £0.5m as these units do not generate any rental flows.

Due to adopting a programme of rolling valuation newly developed housing properties totalling £0.2m have yet to be valued. These housing properties are being held at historic net book value which are an approximation of their open market value.

The cost includes £23k of interest capitalised @ 4.46% in the year (2012: £45k). Property costs include an apportionment of development staff time directly spent on the administration of development activities amounting to £233k (2012: £145k) and on in-house legal costs amounting to £29k (2012: nil).

**Major Repairs, Renewals and Improvements**

	2013	2012
	£'000	£'000
Capitalised	2,266	2,369
Charged to revenue	1,199	1,022
	3,465	3,391

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10 Other Tangible Fixed Assets	Freehold Commercial Properties	Fixtures and Fittings	2013 Total	Restated 2012 Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
As at 1 April	1,168	266	1,434	1,631
Additions	-	85	85	58
Disposals	-	-	-	(255)
At 31 March	1,167	351	1,519	1,434
<b>Depreciation</b>				
As at 1 April	248	205	453	645
Charge for the year	35	20	55	63
Disposals	-	-	-	(255)
At 31 March	283	225	508	453
<b>Net Book Value</b>				
At 31 March	884	126	1,011	981

The 2012 restatement does not affect net assets and relates to commercial properties within housing properties being reclassified as commercial properties in traditional fixed assets.

11 Housing Properties for Sale	2013 £'000	2012 £'000
Completed shared ownership properties held for sale	66	75
	66	75

12 Debtors	2013 £'000	Restated 2012 £'000
<b>Amounts falling due within one year :</b>		
Rent and service charge arrears	1,226	1,194
Less provision for bad debts	(598)	(448)
	628	746
Prepayments and accrued income	206	160
Amounts owed by group companies	66	14
Trade debtors	433	294
Less provision for bad debts	(176)	(114)
VAT debtor	-	-
Capital grants receivable	342	-
Other debtors	-	4
Amounts receivable under finance leases	2	2
	1,501	1,106

The 2012 restatement does not affect net assets and relates to amounts owed by group companies being reclassified under current asset investments.

**Amounts falling due after one year:**

Amounts receivable under finance leases	7,833	7,835
---	-------	-------

13 Current Asset Investments	2013 £'000	Restated 2012 £'000
Bank deposits accessible on demand	1,429	517
Short term loans owed by group companies	-	3,000
Deposits held for leasehold schemes	147	-
	1,576	3,517

The 2012 restatement does not affect net assets and relates to short term loans owed by group companies being reclassified under current asset investments.

**14 Creditors : Amounts falling due within one year**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Rent and services received in advance	225	240
Trade creditors	563	207
Amounts owed to group companies	278	3,307
Deposits held for leasehold schemes	147	148
Capital grants in advance	7	1
Capital accruals and deferred income	158	137
Disposal proceeds fund	15 50	-
Recycled capital grant fund	16 34	34
Interest on housing loans	101	80
Taxation and social security payable	-	32
Other creditors	1,117	1,130
	<u>2,680</u>	<u>5,316</u>

**15 Disposal Proceeds Fund**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	-	-
To fund	50	-
Interest	-	-
Repayment of grant to the HCA	-	-
At 31 March	<u>50</u>	<u>-</u>

**16 Recycled Capital Grant Fund**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
At 1 April	34	-
To fund	-	34
Interest	-	-
Repayment of grant to the HCA	-	-
At 31 March	<u>34</u>	<u>34</u>

**17 Creditors : Amounts falling due after more than one year:**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Housing loans	116,327	116,382
	<u>116,327</u>	<u>116,382</u>

**Maturity of debt**

Bank and building society loans repayable in instalments as follows:-

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
In more than two years but not more than five years	7,254	-
In more than five years	109,746	117,000
Total loans	<u>117,000</u>	<u>117,000</u>
Less loan issue costs	<u>(673)</u>	<u>(618)</u>
	<u>116,327</u>	<u>116,382</u>

Housing loans are secured by fixed charges on the Associations' assets. They include fixed and variable rate loans, at various rates, between 2.50% and 5.14%.

New Progress Housing Association has committed, undrawn facilities of up to £37.5m as part of a joint facility with a related company.

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**18 Non-Equity Share Capital**

	2013 £	2012 £
Allotted Issued and Fully Paid:		
At 1 April	10	10
Issued during the year	3	2
Surrendered during the year	(3)	(2)
	<hr/>	<hr/>
At 31 March	10	10
	<hr/>	<hr/>

The shareholders do not have a right to any dividend or distribution upon winding-up. Each shareholder has full voting rights. Individual shareholders hold their shares in Trust on behalf of the Association.

**19 Reserves**

	Revaluation Reserves £'000	Designated Reserves £'000	Revenue Reserves £'000	2013 £'000	2012 £'000
Prior year adjustment (see note 27)		-		-	-
At 1 April	99,201	442	2,415	102,058	98,199
Surplus for the year ended 31 March	-	-	3,710	3,710	4,352
Gain on revaluation	12,091	-	-	12,091	(365)
Realised on property sales	358	-	(358)	-	-
Transfer from designated reserves in year	-	(442)	442	-	-
Transfer to related Company	-	-	-	-	-
Actuarial (loss) on pension scheme	-	-	(236)	(236)	(128)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March	111,650	-	5,973	117,623	102,058
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Designated reserves have been written back to revenue reserves following the adoption of component accounting.

**20 Capital Commitments**

	2013 £'000	2012 £'000
Capital expenditure contracted but not provided for in the financial statements	4,800	1,503
	<hr/>	<hr/>
	4,800	1,503
	<hr/>	<hr/>
	2013 £'000	2012 £'000
New Progress Housing Association expects these commitments to be financed with:		
Grants	565	-
Committed loan facilities	4,235	1,503
	<hr/>	<hr/>
	4,800	1,503
	<hr/>	<hr/>

**21 Contingent Liabilities**

There are no contingent liabilities. (2012: none)

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**22 Employee Information**

	<b>2013</b>	<b>2012</b>
	<b>No.</b>	<b>No.</b>
The average number of full time equivalent persons employed during the year was:		
Office staff	53	52
Staff providing tenant services	11	12
	64	64

**Staff costs (for the above persons)**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
Office staff	1,674	1,617
Staff providing tenant services	173	163
	1,847	1,780

There were no employees earning over £60,000 (2012: nil)

	<b>2013</b>	<b>2012</b>
	<b>No.</b>	<b>No.</b>
£60,001 - £70,000	-	-

**23 Emoluments of the Board and Directors**

The ultimate parent undertaking, Progress Housing Group Limited remunerates the Executive and Non - Executive Directors.

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**24 Cash Flow Statement Notes**

	<b>2013</b>	<b>2012</b>
	<b>£'000</b>	<b>£'000</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	620	731
Interest paid	<u>(5,005)</u>	<u>(4,991)</u>
	<b>(4,385)</b>	<b>(4,260)</b>

**Financing**

Issue costs amortised	19	17
Issue costs (incurred)	(74)	(16)
Capital element of finance lease repaid	<u>2</u>	<u>2</u>
	<b>(53)</b>	<b>3</b>

**Restated**

	<b>At 1 April</b>	<b>Cashflows</b>	<b>At 31 March</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Analysis of net debt</b>			
Cash in hand, at bank	253	(32)	<u>221</u>
	253	(32)	221
Current asset investments	<b>13</b> 3,517	(1,941)	1,576
Amounts receivable under finance leases	7,837	(2)	7,835
Debt due within one year	-	-	-
Debt due after one year	<u>(116,382)</u>	55	<u>(116,327)</u>
Total	<b>(104,775)</b>	<b>(1,920)</b>	<b>(106,695)</b>

The 2012 cash flow statement has been restated to include short term loans to group companies in the net debt position.

**25 Related Party Transactions**

The Association has taken advantage of the exemption not to disclose related party transactions under FRS8.

**26 Ultimate Parent Company**

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

Sumner House  
21 King Street  
Leyland  
PR25 2LW

## 27 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.

The Group's strategy to proactively manage defined-benefit pension scheme deficits by taking the following steps.

- o Closing both its multi-employer, defined benefit pension schemes to new membership in 2009.
- o Increasing employer contributions beyond those actuarially assessed
- o Making additional lump sum payments to the Lancashire Local Government Pension scheme.
- o Making a defined contribution scheme available for all new starters.

Employer's contributions are based on percentages of employees' earnings as recommended by the actuary of the fund in his valuation.

The ability of the pension funds to provide statutory benefits is assessed every three years by an independent professionally qualified actuary, and employer's contributions are reviewed in light of the actuary's report.

### LANCASHIRE COUNTY PENSION FUND

The most recent full actuarial valuation of the fund was as at 31 March 2010, the results of which were:

Valuation Method	Projected Unit
Value of Assets	£3,962 million

The Group's employers' contributions to the fund during the year were equal to 19.2% of pensionable salary in the year, and amounted to £1,079,201. The following table details the numbers of staff who are members of the fund. The Group parent, Progress Housing Group Limited paid an additional £400k at the end of March 2013 (2012: £400k) into the fund.

	Employers' Contributions		No. Staff	
	2013	2012	2013	2012
	£	£		
New Progress Housing Association	121,691	121,615	28	28
Progress Care Housing Association	140,244	140,666	24	28
Progress Housing Group	817,266	804,529	138	144
One-off Additional Contribution	400,000	400,000		
Total Group	1,479,201	1,466,810	190	200

Financial Reporting Standard 17 disclosures

### Actuarial Assumptions

	At 31/03/13		At 31/03/12			
	Expected Rate of Return	Market Value at 31 March 2013	% Split of Assets	Expected Rate of Return		
	%	£'000	%	%		
Rate of CPI Inflation	2.40%		2.60%			
Rate of Increase in Salaries	4.40%		4.60%			
Rate of Increase in Pensions	2.40%		2.60%			
Discount Rate	4.40%		5.10%			
Asset Information				Expected Market Value at 31 March 2012		
				Rate of Return		
				£'000		
				% Split of Assets		
				%		
Equities	7.00	17,852	62.00	7.00	13,924	58.00
Government Bonds	2.80	2,275	7.90	3.10	1,200	5.00
Other Bonds	3.90	4,953	17.20	4.10	3,601	15.00
Property	5.70	2,678	9.30	6.00	2,401	10.00
Cash/Liquidity	0.50	1,008	3.50	0.50	1,200	5.00
Other	7.00	29	0.10	7.00	1,680	7.00
Expenses deduction	0.26	-	0.00	0.26	-	0.00
Total Market Value of Assets		28,795	100		24,006	100
Present Value of Scheme Liabilities		38,380			31,689	
Net Pension Liability before tax asset		(9,585)			(7,683)	
NPHA Allocation		(1,824)			(1,566)	

The allocation is based on the number of direct employees.

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

### Balance Sheet Items as at 31 March

	2013	2012
	£000's	£000's
Present Value of Funded Benefit Obligations	38,314	31,624
Present Value of Unfunded Benefit Obligations	66	65
Total Present Value of Benefit Obligations	38,380	31,689
Fair Value of Plan Assets	(28,795)	(24,006)
<b>Deficit before deferred tax asset</b>	<b>9,585</b>	<b>7,683</b>

### Components of pension cost for period to 31 March

	2013	2012
	£000's	£000's
Current Service Cost	1,040	1,024
Interest on Pension Liabilities	1,631	1,630
Expected Return on Assets	(1,395)	(1,503)
Effect of Curtailments or Settlements	19	-
<b>Total pension cost recognised in Income &amp; Expenditure</b>	<b>1,295</b>	<b>1,151</b>

### Statement of Recognised Total Recognised Surpluses and Deficits

Actuarial losses	2,092	1,126
<b>Total pension cost recognised in the Statement of Total Recognised Surpluses and Deficits</b>	<b>2,092</b>	<b>1,126</b>



**Change in Benefit Obligation during period to 31 March**

	2013 £000's		2012 £000's	
	Unfunded Benefits	All Benefits	Unfunded Benefits	All Benefits
Benefit Obligation at beginning of period	65	31,689	64	29,221
Current Service Cost	-	1,040	-	1,024
Interest on Pension Liabilities	3	1,631	3	1,630
Member Contributions	-	375	-	370
Actuarial (gains)/losses on liabilities	4	4,419	1	1
Curtailements	-	19	-	-
Benefits/transfers paid	(6)	(793)	(3)	(557)
Benefit Obligation at end of period	66	38,380	65	31,689

**Change in Plan Assets during period to 31 March**

	2013 £000's		2012 £000's	
	Unfunded Benefits	All Benefits	Unfunded Benefits	All Benefits
Fair value of plan assets at beginning of period	-	24,006	-	22,345
Expected return on plan assets	-	1,395	-	1,503
Actuarial gains/(losses) on assets	-	2,327	-	(1,125)
Employer contributions	6	1,485	5	1,470
Member contributions	-	375	-	370
Benefits/transfers paid	(6)	(793)	(3)	(557)
Fair value of plan assets at end of period	-	28,795	2	24,006
Actual Return on Plan Assets		3,723		378
Experience gains/(losses) on Assets		(2,327)		(1,125)
Experience gains/(losses) on Liabilities		-		-

**Post retirement mortality assumptions**

Non-retired members	SIPA CMI_2009 [1.25%] (103% Males, 96% Females)	SIPA CMI_2009 [1%] (103% Males, 96% Females)
Retired members	SIPA CMI_2009 [1.25%] (103% Males, 96% Females)	SIPA CMI_2009 [1%] (103% Males, 96% Females)

**Life expectancy**

of a male (female) future pensioner aged 65 in 20 years time	23.9 (26.7) years	23.1 (25.9) years
of a male (female) current pensioner aged 65	22.1 (24.8) years	21.7 (24.3) years

**Market value of total fund assets (£ millions)**

<b>4,920</b>	<b>4,158</b>
(value as at 28 February 2013)	(value as at 31 December 2011)

**SOCIAL HOUSING PENSION SCHEME**

The Association participates in the SHPS (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to the individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid from the total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS17 represents the employer contribution payable.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,035 million, equivalent to a past service funding level of 67.0%.

The Scheme actuary has prepared an Actuarial Report that provides an approximate update on the funding position of the Scheme as at 30 September 2012. Such a report is required by legislation for years in which a full valuation is not carried out. The funding update revealed an increase in the assets of the Scheme to £2,327 million and indicated a reduction in the shortfall of assets compared to liabilities to approximately £1,241 million, equivalent to a past service funding level of 65%.