

Co-operative and Community Benefit Societies
Registration No 31419R



Annual Report and Financial Statements

For the year ended 31 March 2015

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Members of the Board of Management, Executive Officers and Advisers

Board Members

South Lakeland District Council Members (4)

Philip Dixon
John Holmes (Chair)
Andy Shine (resigned 21 May 2014)
Janet Willis
Giles Archibald (appointed 19 June 2014)

Tenant Members (4)

Sara Brown
Emma Beresford
Charles Howarth
Lorraine Birchall (appointed 12 January 2015)
John Short (resigned 4 September 2014)

Independent Members (4)

Mary Dowling (co-optee) (resigned 22 January 2015)
Peter Kuit (Vice Chair)
David Richardson
David Khan
Alan Walker

Executive Officers

Chief Executive:	Peter Thomas BA (Hons) (retired 14 June 2015) Catherine Purdy OBE BA (Hons) FCIH MBA (appointed 1 July 2015)
Director of Customers and Communities:	David Stubbs FCIH
Director of Corporate Services:	Lindsay Simons FCCA
Director of Assets and Investment:	Russell Clarke CMCIH (resigned 30 November 2014) Richard Hayes (appointed 1 February 2015)
Secretary:	Lindsay Simons FCCA
Auditors:	Beever and Struthers St Georges House 215-219 Chester Road Manchester M15 4JE
Bankers:	Santander UK plc 3 South Admin Bridle Road Bootle L30 4GB
Funders:	Santander UK plc 17 Ulster Terrace Regent's Park London NW1 4PJ
Financial Advisers:	David Tolson Partnership The Offices 7 Millwood Close Withnell Fold Chorley PR6 8AR

Chairman's Statement

I am pleased to introduce the South Lakes Housing (SLH) Annual Report for 2014/15.

SLH is the premier independent housing provider for the South Lakeland region. Major achievements during the year include:

- Retaining the maximum positive Regulatory Judgement from the HCA on governance (G1) and financial viability (V1);
- Achieving £7.7m Value for Money (VFM) verified expenditure on the third year of the improvement programme thus keeping the programme on track with the business plan and improving the environment for our tenants;
- Completing (April 2015) a new build scheme of ten properties at Kirkby Lonsdale which has attracted £752k of non-repayable grants from the Council and the Regulator;
- Supporting our tenants offering both advice and assistance with welfare reform changes including creating “downsizing” opportunities and access to alternative funding;
- Continuous review of all operational areas to ensure the very best service can be provided and a platform created for future development and growth, including a revised method of dealing with asbestos in properties;
- Completion of all the year 3 offer document promises.

SLH is, in its third year, firmly established as the housing provider of choice, future plans and challenges in the coming year include;

- Continuing to support tenants with welfare reform changes and the introduction of universal credit;
- Maximising rental and other income to spend on maintaining properties to high standards and supporting new additions to the stock;
- Expanding the range of services available to both existing and new customers;
- Contracting to purchase 13 new properties from Story Homes in the second half of the 2015/16 financial year.
- Working with a range of partners to create opportunities to replace housing stock lost through ‘Right to Buy’;
- Develop new methods of working to ensure continuous VFM to maximise return on investment and social value.

We work with a wide range of partners in achieving our goals and I pay tribute to all of them especially SLDC who continue to take a keen interest in the development of SLH and the Tenants Committee for their dedication in helping SLH to be the best.

Peter Thomas, SLH's Chief Executive since transfer, retired on 14th June, and I wish to take this opportunity to thank him for all his hard work and enthusiasm over the years which has made SLH the successful organisation it is today. I am delighted to report that the Board has appointed Catherine Purdy as CEO from 1st July 2015. Catherine Purdy was formerly the Deputy Chief Executive with the Thirteen Group, a housing group based in the North East.

During the year two of our Board Members and our co-optee have left us and I would like to take this opportunity of thanking them for their contribution; Mary Dowling, John Short and Andy Shine.

We have welcomed two new members to the Board, Giles Archibald and Loraine Birchall. Brian McDonough was appointed as a co-optee to the Audit and Risk Committee. All of whom are making a significant contribution to our work.

SLH has now entered its fourth year of trading as an independent provider of social housing whilst the future holds a number of challenges not the least of which are the changes introduced in the 2015 Budget announcement, the impact of which is being assessed, I am confident that SLH will continue to build on its past successes and excellent reputation and I look forward to continue working with my fellow Board Members and the Staff to provide much needed social housing in South Lakeland.

John Holmes
Chairman
3 September 2015

Report of the Board

The Board presents its report and audited financial statements for the year ended 31 March 2015.

Principal activity

SLH's principal activity is the management of affordable rented accommodation. SLH aims to bring all its homes up to the Decent Homes Standard by 2017 in accordance with the promises made to tenants at transfer in March 2012.

Objectives and strategies

SLH has an ambitious and demanding strategy in place to ensure delivery of the promises made to tenants prior to transfer. This strategy focuses in the short term on the delivery of core services and property improvements whilst building capacity through maximising the use of resources and building partnerships to help deliver new affordable homes.

SLH updated its corporate plan during the year and revised its corporate objectives to the following:

1. Deliver the promises made in the Offer Document.
2. Become one of the country's top performing landlords with a reputation for performance, VFM and customer service excellence.
3. Maximise the potential from our homes and estates to address future housing need.
4. Develop new housing, including social, affordable rent and market rent products.
5. Strengthen the partnership and investment opportunities with organisations such as South Lakeland District Council (SLDC) and help to realise social value and community benefits.
6. Sustain the highest ratings for governance, financial viability and VFM.
7. Generate additional income by using the in-house team and through the provision of new services.
8. Involve customers and staff in decision making and create opportunities for them to fulfil their potential and achieve the new growth objectives.
9. Create greener places to live and work and continually minimise our impact on the environment.

Our performance management framework has been updated to reflect these new objectives and to provide a clear linkage between these objectives, the business plan, departmental delivery plans and risk maps. Progress against achievement of these objectives is closely monitored by the Board.

Operational and Financial review

Financial performance for the year

The Board report an operating surplus of £8,079.0k (2014: £7,859.4k). The Society's turnover was £16,166.4k (2014: £15,845.0k). The increase in turnover in 2015 is due to the increase in rents within regulatory guidelines and a controlled expansion of the range of services offered to tenants, leaseholders and third parties.

SLH had tangible fixed assets at the year-end of £43.0m (2014: £35.2m). The increase from last year is due in main to the improvement works completed in the year together with the continued building works for ten new build general needs properties at Kirkby Lonsdale that were completed in April 2015.

As part of the transfer SLH entered into an agreement with Santander to provide funding of £55m repayable over 30 years to fund the purchase of properties from SLDC and the programme of improvement works. At the year-end a total of £28m worth of loans had been drawn from Santander, with the balance of funding available to be drawn over the next twelve years.

SLH and SLDC have in place a 'VAT Shelter' arrangement approved by HMRC which allows the recovery of VAT incurred on improvement works costs. Any VAT recovered under this arrangement is shared 50/50 with SLDC in accordance with the agreement entered into with SLDC on transfer.

Key achievements in year

The SLH vision is “to become one of the country’s top performing housing associations with a reputation for delivering its promises, for developing high quality new homes and for expanding and adapting services to meet changing demands”. The most notable achievements in the year are:

Governance and viability

- Awarded top V1 viability rating by regulators for a second successive year and retained top G1 rating for governance
- Board governance review completed and key skills recruited including development, finance and risk management to help advance our corporate objectives
- New Corporate Plan launched with a greater focus on development
- VFM targets set with plans to achieve savings and efficiency gains of over £500k, create more social value, increase the use of local SME’s and improve the quality of tenant services
- Recruitment of an experienced Chief Executive following the retirement of Peter Thomas, and a new Director of Assets & Investments with a focus on development and maximising return on assets

Continued delivery of Offer Document promises

- Over £7m spent on new roofs, kitchens, bathrooms in accordance with budget
- Tenants’ Committee continue to monitor the completion of the promises and have verified the completion of 57% of promises so far
- New Freephone number launched 0300 303 8540 and an Institute of Customer Service survey showing SLH as one of best call centre satisfaction scores with a score of 90%
- Support provided under our Welfare Reform Action Plan proving successful with 69% of tenants affected by ‘bedroom tax/spare room subsidy’ paying rent in full compared to a national figure of 41%

Supporting our communities

- New Youth Engagement Officer recruited allowing SLH to work closer in communities. Examples include replacing flooring at Hallgarth Community Centre, painting a mural at Ulverston Children’s Centre, leisure partnership with North Country Leisure
- Supporting Kendal Dementia Action Alliance to help Kendal become a dementia friendly town and providing financial assistance to assist South Lakeland MIND during their crisis campaign
- Improvements made to our sheltered housing stock including communal areas to encourage older people to interact and a Dementia Friendly Sheltered Scheme in Windermere
- Anti-Social Behaviour injunction served on two tenants in Ulverston

Investing in our people

- Awarded Investors in People Gold standard
- Sickness levels are at an all-time low at an average of 5.1 days
- 11 new apprentices have been created since transfer, with our maintenance team currently employing 6 apprentices, equating to one apprentice for each £225K spend which is significantly higher than the industry norm
- SLH has become a living wage employer

Development and green agenda

- Agreement reached with SLDC to recycle Right to Buy (RTB) receipts back to SLH, which is fundamental to the delivery of the scale of our new build programme
- Completion of a high quality new build ‘social rent’ scheme at Jubilee Close, Kirkby Lonsdale in April 2015 providing 10 new homes
- Deposit paid on 13 new homes at Natland Mill to be completed in August 2015 and a further 4 new units at Allithwaite are due to be handed over this summer
- Worked with the HCA on bringing in 2 mortgage rescue scheme properties into ownership and management
- Created development headroom in the Business Plan where capacity has been extended to 120 new units by 2018 compared with 20 units in the 2012 Transfer Business Plan
- Worked with SLDC Empty Homes Scheme to bring an Ulverston property back into use

- Installation of 395 high energy efficient boilers and two air source heat pumps installed at Finsthwaite and Levens for properties without mains gas.

Future plans and challenges

The Board understands that SLH is in a particularly challenging external environment but is also motivated by a desire to make a positive difference in the community. The Board is self-aware and recognises that it achieved status as an independent Registered Provider at the most testing time for the housing sector which was faced with a recession, reducing development funding and pressures to demonstrate Value for Money and a greater impact in the wider community.

The introduction of welfare reform and the challenges brought by the 'bedroom tax' and Universal Credit, together with the ten year Rent Settlement which resulted in lower rates of future rent increases than assumed in our transfer business plan, have already created significant financial pressures.

The surge in RTB sales following the increase in discounts shortly after transfer has created further pressure on our plans with a total of 68 sales completing in the three years since transfer. SLH has intensified its campaign for the exemption to the RTB in rural areas, in particular in the National Parks where planning restrictions prevent stock from being replaced.

The extension of the RTB to new tenants announced in the 2015 budget poses a further threat to our business plan which would otherwise have seen a reduction in sales as the number of tenants with the Preserved RTB reduced over time. The detail of the proposal which promises to compensate providers for discounts awarded is eagerly awaited so that the impact upon our plans can be evaluated.

The reduction in social housing rents introduced by the 2015 budget will however have the greatest impact, with rental income over the next four years projected to be around £5m below that assumed in our business plan. Although inflationary increases are expected to apply from 2020/21 onwards, rents will at this stage be 14% below levels previously assumed resulting in a considerable decrease in income over the remainder of the 30 year business plan. These measures, exacerbated by the reduction in the benefit cap and other welfare reforms, will have a seriously detrimental impact on our financial plans and our ability to deliver new homes.

SLH currently has in place a fully funded 30 year business plan built on prudent economic and operational assumptions with a level of headroom which offers a certain level of resilience to external pressures. This has now been updated to reflect reduced income levels and the cost reduction measures which will need to be taken to ensure we deliver our corporate objectives and continue to build new homes to replace stock lost through the RTB. Our Board will continue to prioritise new development and has taken a 'fresh look' at our plans, placing greater emphasis on improving efficiency and ensuring long term financial viability whilst maximising development capacity. These plans will continue to be stress tested to evaluate the impact of increasing financial pressures and to identify 'worst case scenarios' so that plans can be put in place to mitigate risk and help ensure long term financial viability.

SLH will become increasingly reliant on grant funding to deliver the 120 new homes provided for in its current business and will continue to work closely with SLDC to ensure the repayment of RTB clawback monies, with the HCA to access capital grant and with developers to acquire section 106 properties.

Our new Asset Management Strategy and return on investment analysis will provide a platform for further options appraisal work to be carried out on low return schemes. This work will help inform our future investment decisions and ensure return on assets is maximised. Further consideration is also being given to the growth of services to support older people to remain independent at home and together with the work on asset management strategy will help ensure our stock and services will continue to meet the changing needs of our customers over the longer term.

SLH aims to sustain its track record in delivering excellence in landlord performance and complete the Offer Document promises whilst aiming to grow the business with the expansion of the in-house maintenance team to create employment opportunities and generate surpluses for reinvestment in new homes. In line with our Offer Document promises and green corporate objective, we have embarked on a major solar panel retrofit programme to provide solar power to up to 1,000 homes, saving tenants £200 to £300 per year in energy costs.

Further investment is to be made in IT with the implementation of Civica's 'Cx' system, a new customer focused housing management system which is due to be implemented 2015/16. This will

help improve efficiency and delivery of customer services and help us develop our customer insight to better tailor services and maximise the use of resources. These enhanced support services combined with SLH's robust business plan and top ratings from regulators put SLH in an excellent position to continue to deliver promises and drive future growth and improvement.

Board and committee structure

SLH's Board is made up of twelve members, comprising four tenant members, four Councillors and four independents. There are currently also two co-opted board member positions and an Audit & Risk Committee co-optee. Members have strong local connections and bring a wealth of professional and commercial experience to the Board. SLH has four committees: Finance, Audit & Risk, Human Resources and Remuneration and Development committees. Each of these committees has specific authority delegated by the Board as defined in SLH's Standing Orders. This structure was developed to ensure governance arrangements remained effective and were appropriate for SLH as a new independent Registered Provider.

Members of the Board of Management and the senior officers who served during the year are set out on page 2. The Board consists of tenant representatives, SLDC nominees and independents. Members automatically retire at the end of a three year term, but may be re-elected subject to a maximum term of office of nine years. The nine year term was reset in 2011 prior to stock transfer.

Non-Council representatives of the Board each hold one fully paid share of £1 in the Society, with the Council holding one share in total. None of the senior officers hold any interest in the share capital of the organisation.

The executive officers are the Chief Executive, the Director of Customers & Communities, the Director of Corporate Services and the Director of Assets & Investment, details of whom are set out on page 2. None of the directors or the executive officers has any financial interest in the Society.

The Society has insurance policies that indemnify its Board Members and executive officers against liability when acting for SLH.

Statement of Board responsibilities

The Co-operative and Community Benefit Societies Act 2014 requires that the Board prepare accounts for each financial year which give a true and fair view of the state of affairs of the Society and the surplus of the Society for that period. In preparing these accounts the Board are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable accounting standards have been followed
- Prepare the accounts on the going concern basis unless it is inappropriate

The Board are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and to enable them to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act 2014, Housing Acts and Accounting Determinations.

In determining how amounts are presented within items in the statement of comprehensive income and statement of financial position, the Board has had regard to the substance of the reported transaction or arrangement, in accordance with general accepted accounting principles or practice. The Board is also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Society's accounting records, cash holdings and all its receipts and remittances.

The Board is responsible for the Society's strategy and policy framework and delegates the day to day management and implementation to the Chief Executive and other senior officers. The Board is also responsible for ensuring adherence to the Homes and Communities Agency's Governance and Financial Viability Standard.

Governance and Financial Viability

The Board has adopted and is fully compliant with the National Housing Federation's 'Excellence in Governance' Code and confirms that SLH is compliant with the Homes and Communities Agency's Governance and Financial Viability Standard. Members' skills are regularly reviewed, any skills gaps or requirements to cover new areas of activity or risk are addressed upon recruitment to fill board member vacancies or with the recruitment of committee co-optees. Members also receive regular sector updates and training in specialist areas as required. Board member strategic planning days are

held at least once a year and stringent monitoring arrangements are in place to ensure delivery of corporate objectives. Governance arrangements are reviewed annually to ensure these remain effective and SLH's affairs continue to be managed with an appropriate degree of independence.

SLH has in place a robust and prudent business planning and risk control framework which provides for the annual update and approval by the Board of the business plan and regular monitoring of cashflow projections and compliance with covenants throughout the year. As part of the business planning review cycle, the Board considers all key risks including economic and operating assumptions and the sensitivity of the plan to changes in key variables or combinations of variables. This is supported by a more detailed business plan stress testing exercise to identify corrective actions required to mitigate against potential threats to viability or delivery of corporate objectives. The Treasury Management Strategy is reviewed and updated each year and is adjusted as necessary to mitigate against significant changes in interest rates. The Board also considers the level of headroom and impact upon financial covenants in any investment decisions to understand the potential impact of these decisions and to ensure the resilience of the plan and SLH's financial viability in the longer term.

Risk management is deeply embedded within the governance framework in order to ensure ongoing financial viability and to safeguard SLH's assets from undue risk. SLH does not currently undertake any non-regulated activity.

Control systems

The Board has overall responsibility for establishing and maintaining the whole system of internal control and reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risk and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Society'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 Society is exposed and is consistent with Turnbull principles as incorporated into the former Housing Corporation circular 07/07: internal controls assurance.

The process 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 includes:

Identification and evaluation of key risks:

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. This is documented in SLH's Risk Management Strategy, which provides for the regular reporting of risk to the Audit and Risk Committee, with high level risk being reported twice yearly to the Board.

The internal audit function, which is provided by an independent firm of accountants, follows a risk based audit programme, and reports directly to the Audit and Risk Committee.

Overall control procedures:

The Board retains responsibility for a defined range of issues covering strategic, operational, and financial and compliance issues. Policies and procedures cover issues such as delegated authority, accounting, treasury management, asset protection and fraud prevention and detection.

Information and financial reporting systems:

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced monthly and forecasts for the remainder of the year and subsequent years. These are reviewed in detail by the executive directors and are considered and approved by the Finance Committee. The Board also regularly reviews key performance indicators to assess progress towards the achievement of business objectives, targets and outcomes.

Monitoring and corrective action:

A process of regular management reporting on control issues provides assurance to the Executive Management Team and Audit and Risk Committee. This includes a rigorous procedure for ensuring

that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of services.

The internal control framework and the risk management process are subject to regular review by internal audit who report to the Audit and Risk Committee. The Audit and Risk Committee considers internal control and risk at each of its meetings during the year, and will review a number of risk maps at each meeting so that each map is reviewed in detail at least once per annum.

The Audit and Risk Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control process. The Audit and Risk Committee makes an annual report to the Board.

The Board confirms that there is an on-going process for identifying and managing significant risks faced by the Society. There has been a system in place throughout the year under review, up to the date of the annual report and accounts.

Remuneration and pensions

The Board is responsible for setting the Society's remuneration policy for its executive officers. The Board have approved a policy which makes a general commitment that SLH will not make non-contractual payments to any member of staff, unless considered in the best interests of the organisation when all the proposed costs of termination have been considered.

The Society participates in the Local Government Pension Scheme, a defined benefit pension scheme. The assets of the scheme are invested and managed independently of the finances of the Society. Contributions are based on pension costs of the Society's units in the fund.

As at 31 March 2015, SLH's share of the scheme deficit was £1.2m (2014: £198k asset), as shown on the statement of financial position and in note 19.

Going concern and liquidity

The Society has in place a thirty year funding agreement with Santander and robust financial forecasting and monitoring systems in place. The Board therefore has a reasonable expectation that the Society has adequate resources to continue in operational existence for the foreseeable future, and for this reason, it continues to adopt the going concern basis in the financial statements.

Stringent cashflow monitoring and reporting arrangements ensure SLH has sufficient liquidity at all times and that funder's covenants will continue to be met.

Statement of compliance

This Operating and Financial Review has been prepared in accordance with the principles set out in Para 33 and 34 of the 2010 SORP Update for Registered Providers.

The Board has reviewed the business planning, risk and control framework in place and is satisfied as to its effectiveness in ensuring delivery against the Corporate Plan, ensuring financial viability and safeguarding SLH's assets. As such the Board considers SLH to be compliant with the HCA's Governance and Viability Standard.

Disclosure of information to auditors

At the date of making this report each member of the Society's Board of Management, as set out on page 2, confirm the following:

- So far as each of them is aware, there is no relevant information needed by the Society's auditors in connection with preparing their report of which the Society's auditors are unaware, and
- Each of them has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant information needed by the Society's auditors in connection with preparing their report and to establish that the Society's auditors are aware of that information.

Value for Money Self Assessment

The Regulatory Standard on Value for Money (VFM) requires that Registered Providers shall articulate and deliver a comprehensive and strategic approach to achieving VFM in meeting their organisations' objectives. It states that boards must maintain a robust assessment of the performance of all their assets and resources, including for example financial, social and environmental returns.

SLH is committed to providing high quality VFM services and seeks to achieve savings or efficiencies where these can be achieved without compromising service standards. What VFM means for us is determined by talking to our customers and VFM runs as a common thread through our corporate plan and policies. VFM is delivered through a deeply embedded VFM culture and by making transformational rather than transactional changes to ways of working, and is underpinned by stringent financial regulations which require all decisions to be based on overall VFM rather than cost.

Our comprehensive VFM Self-Assessment document, available on our website, sets out in detail our costs and performance trends and how these compare to other similar organisations together with some of our VFM achievements and progress against our VFM targets.

Set out below are some of the highlights in our Self Assessment document:

Asset performance

SLH seeks to maximise the use of all its resources and has during the year undertaken a comprehensive evaluation of the return on all its housing assets to enable us to better understand how our assets are contributing to our objectives and to enable us to robustly measure their performance. This review involved an understanding of current performance, development of a methodology to evaluate potential future performance and the prioritisation and planning of resources to ensure asset performance is improved. This has identified a number of under-performing properties which will be subject to further appraisal to evaluate investment or disposal options.

The initial assessment indicated that SLH has relatively few assets (49 schemes from 321 total schemes) that are failing our minimum performance requirements (a minimum profit of £100 per unit per annum or a pass score against both Quality and Cost tests). This evaluation was based on a number of factors including location, design, quality of communal and external areas, community safety, quality of the neighbourhood, demand, financial performance, local market conditions, value and ease of management and maintenance.

These under-performing properties will be subject to further appraisal to decide whether it will be more beneficial to invest further in these properties or dispose of them and reinvest proceeds into the provision of new, better value homes. The in-depth evaluation of our assets at property level has already helped inform asset management decisions including:

- Disposal of a fire damaged property at Milnthorpe Road where net return from disposal exceeded future net return from improving to Decent Homes Standard.
- The disposal of two hard to let properties in Kendal's Market Place where costs of refurbishment outweighed future economic benefit.
- The evaluation of refurbishment costs against higher rent options, leading to a decision to retain, re-develop and charge Affordable Rents at Kendal 'Yard 91' properties.

The Asset Management Strategy has been updated as part of this review to reflect this new approach to asset evaluation and to reflect our increased focus on maximising the return on all our assets. This outlines potential options for improving asset performance, provides a framework for the procurement and delivery of investment and will drive the continuous review and improvement in asset performance to ensure asset use continues to be maximised in the delivery of our corporate objectives. The strategy also outlines how SLH will ensure a strategic view is taken as to which assets are best retained and efficiently exploited, and which should be disposed of to generate resources for new investment.

Our return on investment analysis and new Asset Management Strategy together provide a platform for further options appraisal of low return schemes and will inform future investment decisions to ensure return on assets is maximised. This strategic approach to asset management will help ensure our properties will be of the right type, size and location to enable us to meet future housing need and deliver our corporate objectives.

Income levels

As a Registered Provider of social housing SLH is obliged to meet the requirements of the regulator's Rent Standard, but rents also need to be set at levels which will generate sufficient income to sustain the SLH Business Plan and meet the promises made in the Offer Document.

Rents for 2015/16 have been set in accordance with the Government's new Social Rent Policy which came into force in April 2015. This retains a policy of a maximum rent with the discretion to set rents at up to +5% of the formula rent, or 10% for supported housing and restricts the increase in individual rents each year to a maximum of CPI plus 1%. This resulted in an increase of 2.2% for 2015/16 (based on September 2014 CPI of 1.2% plus 1%) and an actual average weekly rent of £89.64 per week based on a 52 week rent year. SLH utilises the 5% flexibility for new general needs tenants only.

SLH rents are considerably lower than other housing association rents in the area due to historically low 'target rents' and limitations on annual increases. Whilst this represents a better deal for tenants and a lower benefit bill for the local authority we are nevertheless keen to evaluate other rent products such as 'Affordable Rents' to maximise the provision of new homes.

Expenditure levels

Our spend levels are also kept to a minimum and SLH has over the years maintained a frugal approach to spending money with VFM playing an increasingly important role in all our decisions. Making the most of our resources has become considerably more important since transfer which brought increased funding and spending levels as a result of the improvement programme. Most of our income (45p of every £1 received in 2014/15) is reinvested in improvement works or in the provision of new homes for rent. Our overall spend over the last two years can be broken down as follows:

How we spent each £1 of our income during the year:	2014/15	2013/14
Improving homes and communities	45p	43p
Management	18p	22p
Repairs and maintenance	20p	19p
Interest on loans	9p	8p
Service costs	4p	4p
Other costs	<u>4p</u>	<u>4p</u>
Total £1 spend	<u>100p</u>	<u>100p</u>

In 2014/15 we borrowed an extra £4m over and above income received during the year to fund improvement works and earmarked income we retained from RTB sales receipts for reinvestment in new properties.

VFM performance and comparisons to others

SLH continues to compare the cost and quality of its services to others using the 'Housemark' benchmarking service. Housemark's new 'VFM scorecard' shows that based on 2013-14 data (the latest available) 75% of SLH's performance indicators are similar or better than other organisations in our peer group. The following three performance indicators are 'significantly better' than the median for other providers:

- Satisfaction with neighbourhood (92% compared to 86.7%)
- Staff satisfied with organisation as employer (96% compared to 84%)
- Operating margin (50.6% compared to 27.6%)

The areas of greatest improvement over the year have been in the following:

- Repairs completed at the first visit (77.2% to 86.5%)
- Staff satisfied with organisation as an employer (82% to 96%)
- Rent loss due to voids as a % of rent due (1.45% to 0.83%)

Three areas are shown in Housemark's report showed deteriorating performance between 2012/13 and 2013/14. These areas were targeted over the subsequent year and performance has improved (based on SLH's internal data) as indicated below:

- Satisfaction with repairs and maintenance (89.9% to 86% 12/13 to 13/14, 99.5% for 14/15)
- Average days sickness absence (5.8 to 9 days 12/13 to 13/14, 5.1 days for 14/15)
- Overheads as a % of turnover (10.74% to 11.8% 12/13 to 13/14, 10.3% for 14/15)

Satisfaction with repairs and maintenance has seen considerable improvement, achieving 99.5% satisfaction rates in 2014/15 as a result of improved ways of working and enhanced technology. Average days sickness in 2013/14 was influenced by long term sickness which has now reduced significantly. Overhead costs showed an increase in 2012/13 as a result of continued investment in IT which has brought both service improvement and efficiencies. Overhead spend was however still in line with that of other similar organisations.

The VFM scorecard shows that SLH's costs per property were higher than those of other providers in 2013/14 with major works and cyclical maintenance costs at £3,698 per property (compared to a median of £1,479) and responsive repairs and void works at £948 per property (compared to a median of £824). This is due to the high level of investment in repairs and improvement of properties to bring homes to Decent Homes Standard as part of the stock transfer arrangements.

VFM targets and monitoring delivery of future VFM improvement

SLH aims to improve on its already high satisfaction ratings whilst also aiming to reduce costs and has set a number of specific, measurable VFM targets involving cost reduction, income generation, increased efficiencies and outputs and the maximisation of Social Value. Further details on delivery against these targets is set out in our full Self Assessment document available on our website.

Annual General Meeting and approval

Annual General Meeting

The Annual General Meeting is to be held on 15 September 2015 to receive the accounts to 31 March 2015.

Auditors

Beever and Struthers are the auditors of SLH. The annual appointment is subject to a resolution at the Annual General Meeting.

Approval

The Report of the Board was approved on 3 September 2015 by the Board and was signed on its behalf by:

John Holmes
Chairman

Report of the Independent Auditors to the Members of South Lakes Housing

We have audited the financial statements of South Lakes Housing ('the Society') for the year ended 31 March 2015 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (Generally Accepted Accounting Practice).

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

Respective Responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 6, the Board is responsible for the preparation of the 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 Financial Reporting Council's [(FRC's)] Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Society's affairs as at 31 March 2015 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

- a satisfactory system of control over transactions has not been maintained; or
- the association has not kept proper accounting records;
- 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.

Beever and Struthers

Chartered Accountants and Statutory Auditors

St George's House
215 – 219 Chester Road
Manchester
M15 4JE

Date:

Income and Expenditure Account

For the year ended 31 March 2015

	Note	2015 £	2014 £
Turnover	2 & 3	16,166,433	15,844,976
Operating costs	2, 3 & 5	(8,087,416)	(7,985,610)
Operating surplus		<u>8,079,017</u>	<u>7,859,366</u>
Surplus on disposal of fixed assets	7	561,213	517,827
Interest received	8	101,524	19,686
Interest payable and similar charges	9	(1,505,653)	(1,312,574)
Surplus for the year before and after taxation		<u><u>7,236,101</u></u>	<u><u>7,084,305</u></u>

All activities are continuing.

The notes on pages 18 to 37 form part of these financial statements.

Historical cost surpluses and deficits were identical to those shown in the income and expenditure account.

Statement of Total Recognised Surpluses and Deficits

For the year ended 31 March 2015

	2015 £	2014 £
Surplus for the financial year after taxation	7,236,101	7,084,305
Actuarial surplus / (loss) relating to pension scheme assets	(1,366,000)	1,434,000
Total recognised surpluses for the year	<u><u>5,870,101</u></u>	<u><u>8,518,305</u></u>

The notes on pages 19 to 38 form an integral part of the financial statements.

Balance Sheet

At 31 March 2015

	Note	2015 £	2014 £
Tangible fixed assets			
Housing properties at cost	13	64,514,317	56,224,174
Grants	13	(21,490,557)	(21,012,266)
		<hr/>	<hr/>
		43,023,760	35,211,908
Other tangible fixed assets	14	625,859	457,036
		<hr/>	<hr/>
		43,649,619	35,668,944
Current assets			
Stock	15	91,878	33,331
Debtors	16	995,235	1,414,410
Cash at bank and in hand		4,427,312	2,460,509
		<hr/>	<hr/>
		5,514,425	3,908,250
Creditors: Amounts falling due within one year	17	(2,450,196)	(4,167,362)
		<hr/>	<hr/>
Net current assets / (liabilities)		3,064,229	(259,112)
		<hr/>	<hr/>
Total assets less current liabilities		46,713,848	35,409,832
		<hr/>	<hr/>
Creditors: Amounts falling due after more than one year	18	27,382,880	23,359,966
Pension (asset) / liability	19	1,212,783	(198,218)
Capital and reserves			
Non-equity share capital	20	31	31
Reserves	21	18,118,154	12,248,053
		<hr/>	<hr/>
		46,713,848	35,409,832
		<hr/>	<hr/>

The financial statements were approved by the Board on 3th September 2015 and signed on its behalf by:

J. Holmes
Chairman

P. Kuit
Vice Chairman

L. Simons
Company Secretary

The notes on pages 19 to 38 form an integral part of the financial statements.

Cash Flow Statement

For the year ended 31 March 2015

	Note	£	2015 £	£	2014 £
Net cash inflow / (outflow) from operating activities	23		6,502,475		6,888,847
Returns on investments and servicing of finance					
Interest received		12,524		5,686	
Loan financing costs		(1,505,654)		(1,312,574)	
Proceeds of disposal of housing properties		1,766,120		1,699,401	
			<u>272,990</u>		<u>392,513</u>
Capital expenditure					
Acquisition and construction of housing properties				(9,881,279)	
Acquisition of other fixed assets		(9,217,951)		(39,221)	
Social housing grant received		(239,863)		-	
Grant income received		649,152		113,159	
			<u>(8,808,662)</u>		<u>(9,807,341)</u>
Net cash (outflow) before financing			<u>(2,033,197)</u>		<u>(2,525,981)</u>
Financing					
Loans received / (repaid)	25		4,000,000		2,000,000
Increase / (decrease) in cash in the year	24		<u>1,966,803</u>		<u>(525,981)</u>

Notes to the Financial Statements

For the year ended 31 March 2015

1. ACCOUNTING POLICIES

a) Legal status

South Lakes Housing is a Co-operative and Community Benefit Society (Number 31419R) incorporated under the Co-operative and Community Benefit Societies Act 2014. South Lakes Housing is registered with the Homes and Communities Agency as a Registered Provider (Number 4686).

b) Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and Statements of Recommended Practice of the United Kingdom. The accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Requirements Accounting Direction for Private Registered Providers of Social Housing 2012, and the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation. The accounts are prepared on the historical cost basis of accounting.

c) Going Concern

The directors assess the ability of the Society to continue as a going concern based on future cash flows. Based on the cash flows, the directors believe that the Society will continue to be able to meet its obligations as they fall due, and have prepared the financial statements on the going concern basis.

d) Turnover

Turnover consists of:

- Rental income receivable from tenants, in respect of general needs homes, sheltered accommodation, garages, shops and other miscellaneous properties;
- Service charges receivable from leaseholders;
- Income from other services supplied in the year excluding VAT;
- Income from the 'VAT shelter' sharing arrangement with SLDC.

Notes to the Financial Statements

For the year ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

e) Housing properties

Housing properties acquired at transfer are stated at the transfer valuation and are not depreciated. Housing properties in the course of construction are stated at cost and are transferred to housing properties held for letting when completed.

Depreciation is charged on improvement works capitalised, and is depreciated by component on a straight line basis over the estimated useful economic lives of the component categories.

The estimated useful economic lives of the components are:

	Years
Main fabric	100
Roof structure and covering	70
Windows and external doors	30
Gas boilers and fires	15
Kitchens	15
Bathrooms	25
Mechanical systems	30
Electrics	30
Lifts	20
Disabled adaptations	10

f) Other capital grants

Capital grant received on transfer has been shown against the cost of purchase of housing land and buildings. This grant is not repayable.

g) Other tangible fixed assets and their depreciation

Depreciation is provided evenly on the cost (or valuation where appropriate) of other tangible fixed assets, to write them down to their estimated residual values over their expected useful lives. The annual rate used is:

Asset description	Depreciation method	Period
IT equipment	Straight line	Over 3 years
IT infrastructure	Straight line	Over 10 years
Furniture and fittings	Straight line	Over 10 years

h) Works to existing properties

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

i) Stock

Stocks of materials are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Notes to the Financial Statements

For the year ended 31 March 2015

1. ACCOUNTING POLICIES (continued)

j) Taxation

The Society had charitable status during the period and it is not liable to Corporation Tax on its charitable activities.

k) Value Added Tax

The Society 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 partial exemption rules is credited to the Income and Expenditure Account. The Society has been able to take advantage of VAT shelter relief, with 50% of amounts recoverable under this scheme being repayable to the Council under the terms of the Transfer Agreement.

l) Bad and doubtful debts

The Society provides against rent arrears of current and future tenants and all other debtors to the extent that they are considered irrecoverable.

m) Finance costs

Finance costs are written off over the life of the loan.

n) Pension costs

The Society operates a contributory pension scheme, of the defined benefit type, for employees. The scheme is administered by trustees and is independent of Society finances. Contributions are paid to the scheme in accordance with the recommendations of an independent actuary to enable the trustees to meet from the scheme the benefits accruing in respect of current and future service.

Pension scheme assets are measured using market value. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the Society's defined benefit pension scheme expected to arise from employee service in the period is charged to operating surplus. The expected return of the scheme's assets and the increase during the period in the present value of the scheme's liabilities arising from the passage of time are included in other finance income/charges. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

The pension scheme's surpluses to the extent that they are considered recoverable, or deficits, are recognised in full and presented on the face of the balance sheet.

o) Operating leases

The Society uses assets under operating leases. Rentals paid under these are charged to the income and expenditure account in the year they are incurred.

p) Provisions

The Society only provides for contractual liabilities.

Notes to the Financial Statements

For the year ended 31 March 2015

2. TURNOVER, OPERATING COSTS AND OPERATING SURPLUS

	Turnover	2015 Operating costs	Total	2014 Total
	£	£	£	£
SOCIAL HOUSING LETTINGS	14,669,118	7,604,761	7,064,357	6,767,408
OTHER SOCIAL HOUSING ACTIVITIES	1,080,262	305,783	774,479	998,788
NON-SOCIAL HOUSING ACTIVITIES	417,053	176,872	240,181	93,170
TOTAL	<u>16,166,433</u>	<u>8,087,416</u>	<u>8,079,017</u>	<u>7,859,366</u>

Notes to the Financial Statements

For the year ended 31 March 2015

3. INCOME AND EXPENDITURE FROM SOCIAL HOUSING LETTINGS

	General Housing £	2015 Supported Housing £	Total £	2014 Total £
INCOME				
Net rent	12,026,799	1,992,364	14,019,163	13,536,507
Service charges	-	647,303	647,303	656,427
Charges for support services	2,652	-	2,652	3,308
TOTAL INCOME	<u>12,029,451</u>	<u>2,639,667</u>	<u>14,669,118</u>	<u>14,196,242</u>
EXPENDITURE				
Services	(2,801)	(650,472)	(653,273)	(594,840)
Management	(1,462,160)	(116,159)	(1,578,319)	(1,503,583)
Support	(1,357,071)	(224,991)	(1,582,062)	(1,894,792)
Routine maintenance	(1,939,529)	(39,823)	(1,979,352)	(1,791,142)
Planned maintenance	(1,154,059)	-	(1,154,059)	(1,212,233)
Bad debts	(66,868)	(11,086)	(77,954)	(193,384)
Depreciation of housing properties	(497,295)	(82,447)	(579,742)	(238,860)
TOTAL EXPENDITURE	<u>(6,479,783)</u>	<u>(1,124,978)</u>	<u>(7,604,761)</u>	<u>(7,428,834)</u>
OPERATING SURPLUS ON LETTINGS ACTIVITIES	<u>5,549,668</u>	<u>1,514,689</u>	<u>7,064,357</u>	<u>6,767,408</u>
Void Losses	<u>(145,172)</u>	<u>(24,068)</u>	<u>(169,240)</u>	<u>(140,328)</u>

Notes to the Financial Statements

For the year ended 31 March 2015

4. ACCOMMODATION IN MANAGEMENT

	2015	2014
	Units	Units
In ownership and management at end of year:		
Housing accommodation	2,661	2,682
Supported housing (sheltered accommodation)	442	444
Shared ownership properties	5	5
Leasehold properties	256	250
	<hr/>	<hr/>
	3,364	3,381
	<hr/> <hr/>	<hr/> <hr/>
In management, but not ownership, at end of year:	2015	2014
	Units	Units
Housing accommodation	3	3
	<hr/> <hr/>	<hr/> <hr/>

5. SURPLUS FOR THE YEAR

	2015	2014
	£	£
Operating surplus is stated after charging:		
External auditor's remuneration:		
- Statutory audit	11,000	11,000
- Non-audit services	375	375
Operating lease rentals	236,027	241,475
Depreciation of tangible fixed assets	650,783	306,454
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 March 2015

6. OPERATING LEASES

The Society was committed at 31 March 2015 to making payments of £275,451 under operating leases in 2015/16 comprised of:

	Land & buildings £	Vehicles, plant & equipment £	Total £
Leases expiring:			
Within 1 year	-	-	-
In more than 1 year and less than 5 years	37,200	126,660	163,860
In more than 5 years	111,591	-	111,591
	<u>148,791</u>	<u>126,660</u>	<u>275,451</u>

7. SURPLUS ON DISPOSAL OF FIXED ASSETS

	Housing assets 2015 £	Other assets 2015 £	Total 2015 £	Total 2014 £
Sales proceeds	1,766,120	-	1,766,120	1,699,401
Cost of sales	(1,204,907)	-	(1,204,907)	(1,181,574)
Surplus on disposal of fixed assets	<u>561,213</u>	<u>-</u>	<u>561,213</u>	<u>517,827</u>

8. INTEREST RECEIVABLE

	2015 £	2014 £
Bank interest receivable	12,524	5,686
Net return on pension scheme assets and liabilities	89,000	14,000
	<u>101,524</u>	<u>19,686</u>

Notes to the Financial Statements

For the year ended 31 March 2015

9. INTEREST PAYABLE AND SIMILAR CHARGES

	2015 £	2014 £
Interest on bank loans repayable wholly within one year	(205,889)	(34,459)
Interest on bank loans repayable wholly after more than five years	(991,643)	(914,134)
	<hr/>	<hr/>
Total interest	(1,197,532)	(948,593)
	<hr/>	<hr/>
Loan fees and charges	(308,121)	(363,981)
	<hr/>	<hr/>
	<hr/>	<hr/>
Total interest payable and similar charges	(1,505,653)	(1,312,574)
	<hr/> <hr/>	<hr/> <hr/>

10. EMPLOYEES

	2015	2014
The average number of people employed by the Society for the year, expressed in full time equivalents (37 hours per week) was:	114	111
	<hr/> <hr/>	<hr/> <hr/>

The employee costs charged to the Income and Expenditure Account for the year were:

	2015 £	2014 £
Wages and salaries	2,842,999	2,729,520
Social security costs	195,192	193,512
Pension costs	527,745	492,061
	<hr/>	<hr/>
	3,565,936	3,415,093
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 March 2015

10. EMPLOYEES (continued)

Pension costs include:

	2015 £	2014 £
Current service cost of defined benefit scheme	(514,000)	(473,000)

The current service cost of defined benefit schemes comprises:

	2015 £	2014 £
Current service costs	514,000	473,000
Past service costs	47,000	-
Employer's contributions not in FRS17 calculations	-	35,436
Curtailments	-	-
Settlements	-	-
Less: pension costs capitalised	-	(16,375)
Total operating charge	561,000	492,061

11. BOARD MEMBERS AND EXECUTIVE OFFICERS

No Board Members received any remuneration from the Society during the year. Expenses / allowances paid during the year amounted to £3,603 (2014 £5,128).

The aggregate amount of emoluments paid to or receivable by the Executive Officers of the Society during the year was £336,495 (2014: £352,745). The number of directors who accrued benefits under defined contribution pension schemes was 5 (2014: 4).

Total remuneration of the highest paid director including pension contributions was £106,749 (2014: £106,003).

The number of full time equivalent staff whose remuneration payable fell within the bands of:	2015 Number	2014 Number
£10,000 to 19,999	1	-
£70,000 to £79,999	1	2
£80,000 to £89,999	-	1
£90,000 +	3	1

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Executive Management Team or its equivalent.

Notes to the Financial Statements

For the year ended 31 March 2015

12. TAX ON SURPLUS ON ORDINARY ACTIVITIES

Analysis of the charge in the period	2015	2014
	£	£
Current taxation:		
UK Corporation Tax charge for the year	-	-
Deferred taxation:		
Origination and reversal of timing differences	-	-
	<hr/>	<hr/>
Tax on surplus on ordinary activities	-	-
	<hr/> <hr/>	<hr/> <hr/>
Factors affecting tax charge for the period	2015	2014
	£	£
Surplus on ordinary activities before taxation	7,236,101	7,084,305
	<hr/> <hr/>	<hr/> <hr/>
Surplus on ordinary activities multiplied by standard UK corporation tax rate of 20% (2014: 20%)	1,447,220	1,416,861
Effects of:		
- Surpluses relating to charitable period	(1,447,220)	(1,416,861)
- (Surpluses) non taxable under ALMO treatment	-	-
- Losses increased	-	-
	<hr/>	<hr/>
Actual current taxation charge	-	-
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 March 2015

13. TANGIBLE FIXED ASSETS – HOUSING PROPERTIES

	Housing Held for Letting £	Housing Under Construction £	Shared Ownership £	Total £
Cost				
At 1 April 2014	56,260,587	113,159	118,228	56,491,975
Additions	7,667,596	1,550,355	-	9,217,951
Disposals	(348,067)	-	-	(348,067)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	63,580,117	1,663,514	118,228	65,361,859
	<hr/>	<hr/>	<hr/>	<hr/>
Grant				
At 1 April 2014	(20,899,107)	(113,159)	-	(21,012,266)
Grant received	(135,125)	(514,027)	-	(649,152)
Grant relating to disposals	170,861	-	-	170,861
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	(20,863,371)	(627,186)	-	(21,490,557)
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2014	(267,800)	-	-	(267,800)
Charge for the year	(579,742)	-	-	(579,742)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	(847,542)	-	-	(847,542)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2015	41,869,204	1,036,328	118,228	43,023,760
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2014	35,093,680	-	118,228	35,211,908
	<hr/>	<hr/>	<hr/>	<hr/>

South Lakes Housing owns the freehold relating to all of these assets.

Total expenditure on existing properties was £7,667,596. All of this was capital and none was charged to the Income and Expenditure Account.

A grant of £125,000 was received from the Housing and Communities Agency during the year, a further £125,000 was received in April 2015. Non-repayable grant of £524,152 was received from SLDC, towards construction works.

Notes to the Financial Statements

For the year ended 31 March 2015

14. OTHER TANGIBLE FIXED ASSETS

	Computer Equipment £	IT Infrastructure £	Furniture & Fittings £	Total £
Cost				
At 1 April 2014	262,918	186,702	270,704	720,324
Additions	196,852	-	43,011	239,863
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	459,770	186,702	313,715	960,187
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1 April 2014	(218,424)	(18,341)	(26,523)	(263,288)
Charge for the year	(22,074)	(18,670)	(30,296)	(71,040)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2015	(240,498)	(37,011)	(56,819)	(334,328)
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2015	219,272	149,691	256,896	625,859
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2014	44,494	168,361	244,181	457,036
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

15. STOCK

	2015 £	2014 £
Stocks held within:		
Stores	2,410	2,410
Trade vehicles	22,120	22,479
Other – dispersed alarm equipment	-	-
	<hr/>	<hr/>
	24,530	24,889
Work in progress on housing, land and buildings – potentially abortive costs	67,348	8,442
	<hr/>	<hr/>
	91,878	33,331
	<hr/> <hr/>	<hr/> <hr/>

The stores balances relate to lumber and emergency out of hours supplies.

Notes to the Financial Statements

For the year ended 31 March 2015

16. DEBTORS

	2015 £	2015 £	2014 £	2014 £
Rent and service charge arrears	844,433		758,772	
Less provision for bad debts	(311,537)		(262,913)	
		532,896		495,859
Trade debtors	95,552		150,589	
Less provision for bad debts	(69,687)		(98,409)	
		25,865		52,180
Value Added Tax		307,422		708,897
Prepayments		110,903		128,286
Accrued income		17,635		28,780
Other debtors		514		408
		995,235		1,414,410

17. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £	2014 £
Rent and service charges received in advance	167,127	168,972
Trade creditors	719,305	1,931,466
Accruals and deferred income	1,473,834	1,710,525
Other taxation and social security	57,348	55,302
Other creditors	32,582	301,097
	2,450,196	4,167,362

Notes to the Financial Statements

For the year ended 31 March 2015

18. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015 £	2014 £
Loans not repayable by instalments		
Loan maturing under floating arrangement within one year, but wholly repayable in five years or more	3,000,000	4,000,000
Loan wholly repayable in five years or more	25,000,000	20,000,000
	<hr/>	<hr/>
	28,000,000	24,000,000
Less loan arrangement fees	(617,120)	(640,034)
	<hr/>	<hr/>
	27,382,880	23,359,966
	<hr/> <hr/>	<hr/> <hr/>

South Lakes Housing has an agreed loan facility of up to £55m with Santander plc repayable over the next twenty seven years. These loans are secured by over the Society's assets. They include fixed and variable rate loans at various rates of between 3.18% and 5.04%.

Loan arrangement fees are capitalised and amortised over the remaining twenty-seven years of the initial business plan.

19. PENSIONS

The Society participates in the defined benefit Local Government Pension Scheme ('LGPS') administered by Lancashire County Council. The Society received admitted body status in its own right at the transfer date of 5 March, 2012. It is a funded scheme, meaning that both employer and employees pay contributions into the fund, calculated at a level that is estimated to balance the pension liabilities with investment assets. At the transfer the scheme was automatically closed to new members. However, on application to reopen it and allow new SLH staff to join was successful. The scheme was re-opened on 1 March 2013.

A qualified actuary using the "projected unit" method performs the triennial actuarial valuations. The most recent full valuation was completed as at 31 March 2013. This valuation relates to the whole fund.

Employee Contributions

The employers' contributions to the LGPS by the Society for the year to 31 March 2015 were £393,745 (2014: £343,811). Following the actuarial valuation as at 31 March 2013, the employer's contribution rate was fixed at 15.9% for 2015/16.

Notes to the Financial Statements

For the year ended 31 March 2015

19. PENSIONS (continued)

Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on an FRS 17 basis were:

	2015 % per annum	2014 % per annum
Rate of increase in salaries	3.6	3.9
Rate of increase in pensions in payment	2.1	2.4
Discount rate	3.4	4.6
Inflation assumptions (CPI)	2.1	2.4

Fair rate and expected return on assets

The fair rate value of assets in the pension scheme and the expected rates of return were:

	Expected rate of return 2015 %	Fair value 2015 £'000	Total plan assets 2015 %	Expected rate of return 2014 %	Fair value 2014 £'000	Total plan assets 2014 %
Equities	6.5	6,102	52.8	7.0	5,794	59.4
Government bonds	2.2	2,126	18.4	3.4	1,521	15.6
Other bonds	2.9	855	7.4	4.3	1,092	11.2
Property	5.9	1,225	10.6	6.2	692	7.1
Cash	0.5	404	3.5	0.5	575	5.9
Other	6.5	844	7.3	7.0	78	0.8
		11,556			9,752	
		11,556			9,752	

There is no provision for utilising the assets of a fund under the LGPS. The above assets as a whole are allocated to participating bodies on a consistent and reasonable basis.

The amounts recognised in the balance sheet are as follows:

	2015 £'000	2014 £'000
Present value of benefit obligations	12,769	9,554
Fair value of plan assets	(11,556)	(9,752)
	1,213	(198)
Deficit / (surplus)	1,213	(198)

Notes to the Financial Statements

For the year ended 31 March 2015

19. PENSIONS (continued)

The amounts recognised in the income and expenditure account are as follows:

	2015 £'000	2014 £'000
Current service cost	514	473
Interest on pension liabilities	448	450
Expected return on assets	(537)	(464)
Past service cost / (gain)	47	-
Curtailements / (settlements)	-	-
Capitalised pension costs	-	(16)
	<hr/>	<hr/>
Total	472	443
	<hr/> <hr/>	<hr/> <hr/>

Changes in the present value of the defined benefit obligation are as follows:

	2015 £'000	2014 £'000
Benefit obligation at beginning of period	9,554	9,524
Current service cost	514	473
Interest on pension liabilities	448	450
Member contributions	171	141
Past service cost / (gain)	47	-
Actuarial (gains) / losses on liabilities	2,320	(968)
Curtailements	-	-
Benefits / transfers paid	(285)	(66)
	<hr/>	<hr/>
Benefit obligation at end of period	12,769	9,554
	<hr/> <hr/>	<hr/> <hr/>

Changes in the fair value of plan assets are as follows:

	2015 £'000	2014 £'000
Fair value of plan assets at beginning of period	9,752	8,422
Expected return on plan assets	537	464
Actuarial gains / (losses) on assets	954	466
Employer contributions	427	325
Member contributions	171	141
Benefits / transfers paid	(285)	(66)
	<hr/>	<hr/>
Fair value of plan assets at end of period	11,556	9,752
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 March 2015

20. NON-EQUITY SHARE CAPITAL

	2015	2014
	No. of shares	No. of shares
Called up non-equity shares	31	31
	<hr/>	<hr/>
Allotted and issued:		
At 1 April	31	25
Issued during the year	-	7
Cancelled during the year	<hr/> -	<hr/> (1)
At 31 March	31	31
	<hr/> <hr/>	<hr/> <hr/>

21. RECONCILIATION OF MOVEMENT IN RESERVES

	2015	2014
	£	£
Opening surplus / (deficit)	12,248,053	3,729,748
Total recognised gains for the year	5,870,101	8,518,305
	<hr/>	<hr/>
Closing surplus / (deficit)	18,118,154	12,248,053
	<hr/> <hr/>	<hr/> <hr/>
	2015	2014
	£	£
Profit and loss reserve excluding pension deficit	19,330,937	12,049,835
Pension reserve	(1,212,783)	198,210
	<hr/>	<hr/>
Total	18,118,154	12,248,053
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Financial Statements

For the year ended 31 March 2015

22. RELATED PARTY TRANSACTIONS

Tenant Board Members

Certain Members of the Board are resident in properties maintained by South Lakes Housing. These residents have a standard tenancy agreement and are required to fulfil the same obligations and receive the same benefits as other tenants.

23. RECONCILIATION OF OPERATING SURPLUS TO NET CASH FLOW FROM OPERATING ACTIVITIES

	2015	2014
	£	£
Operating surplus	8,079,017	7,859,366
Depreciation charges	650,783	306,454
Amortisation of loan arrangement fees	22,918	24,549
Pension FRS17 adjustments (note 20)	134,000	148,000
Decrease) / (increase) in stock	(58,549)	17,147
(Increase) / decrease in debtors	419,175	(602,152)
(Increase) / decrease in creditors (excluding loans)	(2,744,869)	(864,523)
Issue of Share Capital	0	6
Net cash inflow / (outflow) from operating activities	<u>6,502,475</u>	<u>6,888,847</u>

24. ANALYSIS OF NET FUNDS / (DEBT)

	1 April 2014 £	Cash flow £	31 March 2015 £
Cash at bank and in hand	2,460,509	1,966,803	4,427,312
Loans	(24,000,000)	(4,000,000)	(28,000,000)
	<u>(21,539,491)</u>	<u>(2,033,197)</u>	<u>(23,572,688)</u>

Notes to the Financial Statements

For the year ended 31 March 2015

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS / (DEBT)

	Note	2015	2014
		£	£
Net funds at 1 April	25	(21,539,491)	(19,013,510)
(Decrease) / increase in cash in the period		1,966,803	(525,981)
(Increase) / decrease in loans		(4,000,000)	(2,000,000)
Net funds / (debt) at 31 March	25	<u>(23,572,688)</u>	<u>(21,539,491)</u>

26. STOCK TRANSFER OBLIGATIONS

Immediately prior to entering into the Stock Transfer Agreement between the Council and the Society, the Council and Society entered into a contract for the Society to perform the refurbishment works required to bring the properties into an agreed state.

The contract was for a fixed sum equal to the expected cost of the works i.e. £96.04 million. At transfer the Society contracted with the Council to acquire the benefit of the agreed refurbishment works (£96.04 million). The nature of the works under the initial agreement was specified and a right of set off exists between the contracts. These contracts have enabled the Society to recover VAT on repair/improvement costs that would otherwise have been expensed.

The impact of these two transactions is that whilst the Council has a legal obligation to the Society to complete the refurbishment works this work has been contracted back to the Society who are also legally obligated. The underlying substance of the transaction is therefore that the Society has acquired the properties in their existing condition at their agreed value, and will complete certain repairs/improvements in line with guarantees to Tenants of not less than £96.04 million. In the opinion of the board members, the commercial effect of these transactions when viewed as a whole does not, in practice, create separate assets and liabilities for reporting purposes. Therefore, in accordance with FRS 5 the resulting debit and credit balances, relating to the legal obligation of the Council to complete the refurbishment works for the Society and the equal and opposite legal obligation of the Society to perform the refurbishment works for the Council, have been offset and are not recorded in the balance sheet.

Notes to the Financial Statements

For the year ended 31 March 2015

27. CAPITAL COMMITMENTS

	2015 £	2014 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,711,624	2,777,184
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	4,255,820	6,888,692
	<u>5,967,444</u>	<u>9,665,876</u>
The RP expects these commitments to be financed with:		
Committed loan facilities	5,967,444	9,665,876
	<u>5,967,444</u>	<u>9,665,876</u>

28. CONTINGENT LIABILITY

There are no contingent liabilities (2014: none).