*Registered Industrial and Provident Society No 30045R*

*Registered Housing Association No L4465*

# Great Places Housing Group Limited
# Report and Financial Statements
# For the Year ended 31 March 2014

**GREAT PLACES HOUSING GROUP LIMITED**
**Year ended 31 March 2014**

**CONTENTS**

## ASSOCIATION INFORMATION

***Board***

| | |
|---|---|
| Chairman | A. Davison |
| Deputy Chairman | J. Rayner |
| Other Members | A. Beeput<br>J. Clafton<br>J. Green<br>C. Goulden<br>M. Harrison<br>R. Kirkwood<br>D. Robinson<br>R. Sear<br>T. Snape<br>T. Stein |

***Executive Directors***

| | |
|---|---|
| Chief Executive | M. Harrison (from 11/4/13)<br>S. Porter (to 11/4/13) |
| Director of Development | P. Bojar (from 9/10/2013) |
| Director of Finance and Company Secretary | P. Elvy |
| Director of Performance and Innovation | M. Shannon (to 30/11/2013) |
| Director of Housing Services | G. Cresswell |
| Interim Director of Property Services | D. Wood (from 16/12/13) |

***Registered office***

Southern Gate
729 Princess Road
MANCHESTER
M20 2LT

*Web site*

www.greatplaces.org.uk

***Registered Numbers***

HCA No: L4465
Industrial and Provident Society No: 30045R

***External Auditors***

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

***Internal Auditors***

Mazars LLP
The Lexicon
Mount Street
Manchester
M2 5NT

***Bankers***

The Royal Bank of Scotland plc
P.O. Box 356
38 Mosley Street
Manchester
M60 2BE

## CHAIRMAN'S REPORT

The 2013/14 financial year proved to be an extremely successful year for Great Places Housing Group, set in very challenging times for the Group. A year end surplus before tax of £9.3M, which is £1.0M better than budget, is a record for the Group.

This was achieved in a year which saw significant changes in the leadership of Great Places Housing Group, with a comprehensive restructuring of the Board of Directors and my appointment as Chair in November 2013, part way through the year.

All key targets for the Group were achieved, including full delivery of the HCA development programme. In all nearly 600 new properties were built in the year, fully in line with the Group's development strategy.

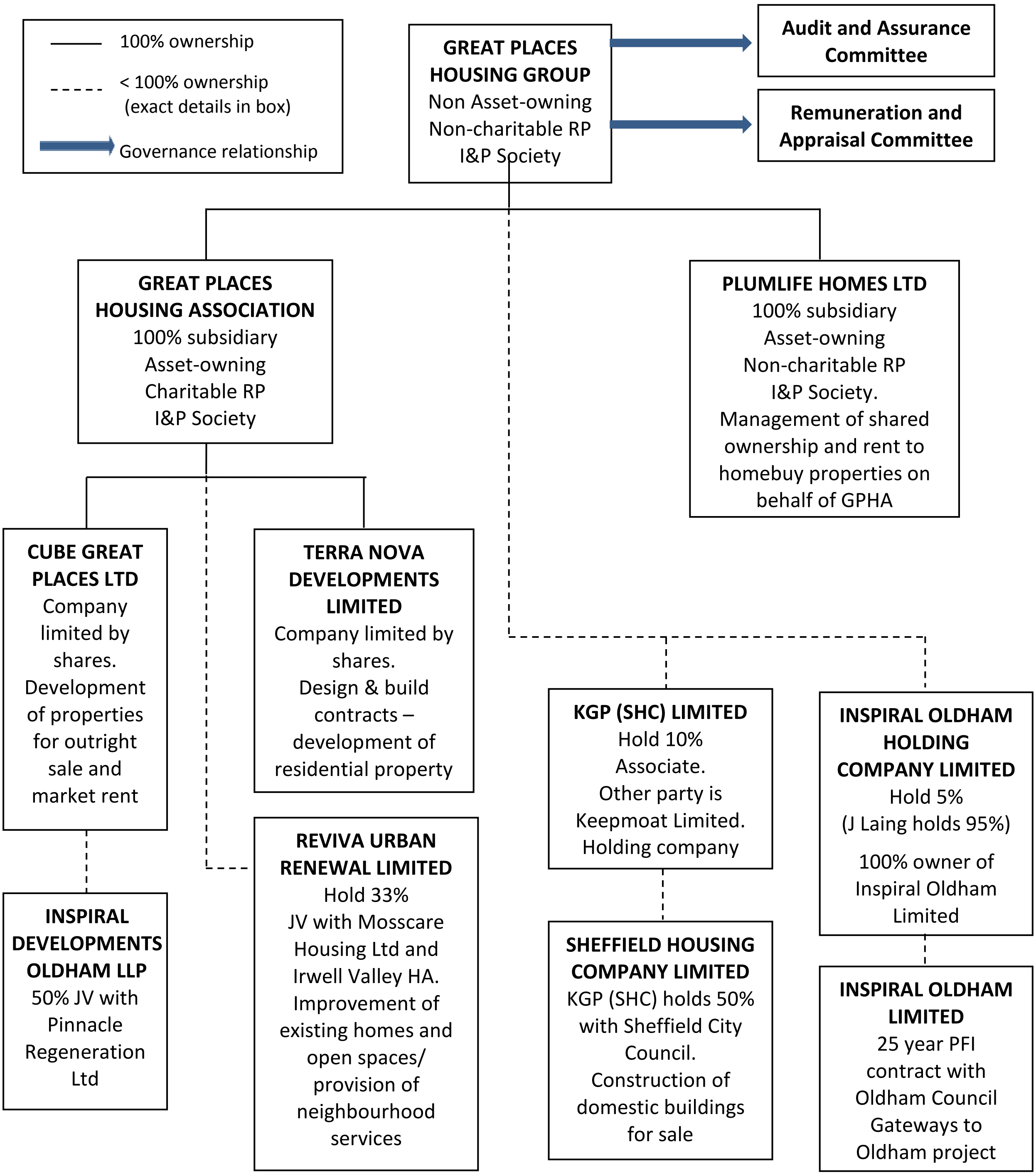
Great Places Housing Group continued to invest in supporting its communities and this bore fruit with the impact of the Welfare Reform changes being well managed. Whilst this still remains a risk, continued targeted investment will be directed at minimising future potential impact.

The Group also completed a successful retained bond issue at the end of 2013, raising a total of £31.8M at extremely favourable rates. This combined with other funding sources already secured underpins our future development programme and means that Great Places Housing Group is well placed to deliver on our ambitious growth strategy.

GREAT PLACES HOUSING GROUP LIMITED
Year ended 31 March 2014

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

**Legal and Governance structure**




The Great Places legal and governance structure, shown above, is essentially very simple:

Great Places Housing Group Limited ("GPHG" or the "Group") comprises the non asset owning, non charitable parent ("The Association"), which is an Industrial and Provident Society (I&P), together with two subsidiaries:

- Great Places Housing Association ("GPHA"), an I&P Society with charitable status; and
- Plumlife Homes Limited ("Plumlife"), an I&P Society not having charitable status.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

GPHA has two active third tier subsidiaries: Cube Great Places Limited ("Cube") and Terra Nova Developments Limited ("Terra Nova"). The Group is also involved in 2 joint venture companies and one associate company as shown in the diagram and explained in note 13 to the accounts.

Whilst GPHG has ultimate control, GPHA has responsibility for the management of the Group's general needs and supported properties, Plumlife is responsible for low-cost home ownership and leasehold management and Cube Great Places exists to provide the Group with a vehicle to undertake outright sale and market rent activity.

**Statement of Compliance with our Governance Code**

The Group Board has adopted the NHF Code of Governance "Excellence in Governance" (revised in July 2010) as the Governance code for the Group ("the Code").

During 2013 Great Places identified some weaknesses in its Governance arrangements and commissioned an independent Governance review. That review concluded that by July 2013, following some immediate rectification activity, Great Places was compliant with the Code in all main areas except four.

The four key areas of non-compliance related to: Length of Board member service; Board induction and information; Delegating responsibility around the Chief Executive's appraisal and remuneration; and having an appropriate up-to-date code of conduct. As a result, in July 2013 the Group was downgraded to G2 for Governance by the HCA.

The Group recognised that not being fully compliant with the Code of Governance was a significant control failing and accepted the regulator's action. The deficiencies were recognised and addressed in a robust, effective and comprehensive way through an action plan agreed with the HCA.

The plan included creation of a bespoke Code of Governance that built on the NHF Code. There was significant change in Board membership with a new Chair, new Deputy Chair, and 4 other new Board members being appointed at the September 2013 AGM. The Boards of GPHG, GPHA and Plumlife were made co-terminous and several existing Board members stepped down from their roles. At the September 2014 AGM all remaining pre-2013 Board members will also step down and a recruitment process is currently underway to find their replacements.

The Group's Committee Structure was refreshed with the Audit Committee becoming the Audit and Assurance Committee with a revised terms of reference, and the former Remuneration Committee became the Remuneration and Appraisal Committee, again with new terms of references and both Committees with largely new membership.

The Group is now able to state that it is fully compliant with the Code of Governance and the Group was delighted that in May 2014 the HCA restored the G1 Governance assessment.

A wide range of information on the composition of our Board is included at note 10 of these statements, including the remuneration of both the non-exectuive board members and also the executive team.

The Group publishes a wide range of information on its website that seeks to provide all stakeholders with a range of useful "transparency" information. This includes details of all costs over £500 related to the Group's HCA Affordable Rent development contract.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

**Regulation**
Great Places has enjoyed excellent working relations with its regulators for many years, working on a local and national basis. The Group is a key HCA Development partner and is also a Delivery Panel Partner. The Group received the highest (V1) rating in its February 2014 Viability Review.

**Listening to our customers**
The operational structure also includes the Customer Services Voice (CSV), which replaced our previous Tenant Services Committee (TSC). The CSV comprises a majority of tenants, is chaired by a Tenant and has responsibility for customer facing policy, service development and performance monitoring. The CSV ensures that tenants are at the heart of decision-making, providing challenge and scrutiny and providing a clear link to the Group Board. Membership of the CSV is disclosed in note 10 to the accounts.

Great Places has utilised the knowledge and experience of customers as mystery shoppers for some time, and is currently recruiting a group of customers that can operate in a more structured manner to perform a scrutiny role.

**Donations**
During the years ended 31 March 2014 and 2013 the Group has made no political contributions and any charitable donations were made during the course of its ordinary activities.

**Activities**
The Group's primary activities include:
- Management and development of general needs social and affordable housing for rent, supported housing, extracare properties, low-cost home ownership and market sale;
- Management of market rent, leasehold and privately owned property;
- Provision of related services such as financial inclusion and social enterprise activities;
- Regeneration of neighbourhoods and communities.

As well as owning or managing approaching 17,000 properties, the Group is a major developer of new affordable housing.

Current contracts with the Homes and Communities Agency (HCA) will see the Group deliver 1,281 properties in the four year period ending March 2015, with a further 922 properties in the two year period ending March 2017. We are on schedule to achieve our delivery targets.

The Group's head office is located in South Manchester and the Group has regional offices in Salford, Blackpool, Oldham, Blackburn, Knutsford and Sheffield.

The Group is active in the 37 local authorities shown in the map overleaf, with particular concentrations in Sheffield, Oldham, Manchester, Salford, Blackpool and Blackburn – these six local authority areas include almost two-thirds of the Group's properties.

Once again, during the year the Group added over 600 units. Almost 500 new development properties were completed, the vast majority (90%) for rent. Almost 200 properties were disposed, 90 Keyworker apartments were returned to the NHS trust and a further 30 properties that the Group managed were returned to their owning register provider.

Net unit growth was 287 properties and this continued a process of refreshing the portfolio with newer stock, and more of it being fully owned.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD


In addition to completing the 700 properties currently on site, the Group will also bring into management the final 200 new homes being constructed as part of the Oldham PFI project.

| **HOUSING PROPERTIES OWNED/MANAGED** | **As at 31 Mar 2014** | **As at 31 Mar 2013** | **As at 31 Mar 2012** | **As at 31 Mar 2011** | **As at 31 Mar 2010** |
|---|---|---|---|---|---|
| General Needs Housing | 12,049 | 11,732 | 11,343 | 10,920 | 10,218 |
| *Of above – let as affordable rent* | *1,576* | *847* | *247* | *0* | *0* |
| Sheltered Housing | 299 | 299 | 299 | 299 | 299 |
| Extracare Housing | 134 | 134 | 134 | 134 | - |
| Supported housing | 1,259 | 1,284 | 1,306 | 1,270 | 1,360 |
| Keyworker | 245 | 353 | 414 | 419 | 419 |
| Leasehold | 558 | 519 | 468 | 483 | 413 |
| Shared ownership | 1,090 | 1,086 | 1,052 | 1,014 | 974 |
| Homes managed, but owned by a third party | 726 | 710 | 800 | 1,181 | 1,286 |
| PFI properties | 425 | 381 | 331 | - | - |
| Homes owned, but managed by a third party | 76 | 76 | 76 | 76 | 76 |
| **TOTAL** | **16,861** | **16,574** | **16,147** | **15,798** | **15,045** |
| Properties under development | 701 | 513 | 461 | 642 | 882 |

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

During 2014/15 Great Places will not only grow to 17,000 properties, but will end the year with close to 18,000, and this ongoing growth underpins the Group's realisation of economies of scale.

Largely due to the Group's significant development activity, a high proportion of the Group's properties are relatively new, with almost 50% having been constructed since 1991.

### Objectives & Strategy

**Vision, values and objectives**

**The Great Places vision is "Strong, bright and real".**

- We're strong – bold energetic, forceful, have sound finances and solid roots.
- We're bright – innovative fresh, new, colourful and stylish.
- We're real – feet on the ground, customer focussed, know where we come from, realistic, there's substance to what we do.

We remain committed to our core values:

- We know and value our customers and communities in which they live.
- We recognise our talented enthusiastic staff and all those who contribute to our success.
- We are fair open and accountable.

The vision and values are borne out of the Group's constituent parts and varied history. However, as Great Places approaches its tenth anniversary in 2016, the Board has instigated a full review of the vision and values to ensure they remain true and appropriate.

We have two primary Corporate Objectives:

**CORPORATE OBJECTIVE 1: Financial Strength**

- Group turnover and surplus continues to increase with a record surplus before tax of £9.3m for 2013/14. We have budgeted to exceed £10m in 2014/15.
- Whilst Moodys have twice undertaken downgrading action that has affected Great Places (February 2013 UK-wide and May 2013 sector-wide), the Group's underlying rating has remained unchanged at A2. We remain AA- rated with Fitch, though with a negative outlook applied sector wide.
- We have retained our V1 viability assessment from the HCA and our 2013 VFM self assessment was also adjudged as meeting the required standard.
- In November 2013 we successfully raised a further £32m of funding by issuing retained bonds through the Capital Markets at a spread of 104bps and an all in cost of 4.57%.
- The Group has funding facilities that will last through to the end of 2017/18, following the successful allocation of £50M of Affordable Housing Guarantee Programme Funding.
- At year-end, we had maintained our best ever rent collection performance, with our arrears across general needs and supported housing at 3.5% from 5.3% four years ago, despite the initial impact of welfare benefit reform.
- The concept of financial strength allows the Group to generate surpluses to reinvest back into the business, quite often now referred to as "profit for a purpose"

**CORPORATE OBJECTIVE 2: Providing excellent customer service**

- Great Places proactively measures customer satisfaction through on-going telephone surveys, where an independent team contact customers and find out their experience and views about the service they receive. This allows rapid identification and response should satisfaction begin to slip.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

- Satisfaction has dipped a little in 2013/14, primarily due to issues within the repair service that are now being rectified. It is now showing string signs of recovery since the turn of the year and overall satisfaction for the final quarter exceeded 86%.
- Over the year, of over 55,000 individual calls, 97% of calls to our Customer Access Team (CAT) were answered within 15 seconds and 95% of the callers were satisfied or very satisfied with the service they received.
- However in the summer of 2013 the performance of the repairs service desk dropped considerably and led to an action plan to enhance the whole repairs experience. This significant piece of work will take several months to complete, but in terms of telephone answering, the repairs desk is now consistently delivering a service on a par with the CAT team's results.
- The approach to complaints has been refreshed with a new emphasis on resolving complaints immediately ("nip it in the bud") and a "right first time" approach to any complaints that do materialize. This new approach has seen the number of formal complaints reduce by around half, while maintaining as focus on outcomes, fair resolution and great customer care.
- All staff have undertaken the Group's "Striving for Excellence" training programme which focuses on the "softer" aspects of customer care. This is reinforced through our "Make their day" awards, improvements stemming from our bank of mystery shoppers and feedback through the Customer Service Voice group.

**Business & Finance Review**

The Group recognises that the business environment in which it operates presents a range of external and internal challenges to which we must respond appropriately in order to succeed.

| Challenges | Commentary and context |
|---|---|
| **External – Economic Environment** | The UK economy has bounced back to life in the last 12 months, with GDP forecast to grow by up to 3% during 2014, its fastest rate for 6 years. Unemployment has fallen to below 7%, its lowest level since early 2009 and wages have also started rising at the same rate as inflation for the first time since 2008. GDP per head in 2013 is less than 95% of its 2008 peak.<br><br>Messages are however mixed. The Bank of England Governor said in his June Mansion House statement that rate rises could be "sooner than markets currently expect" (which hints at late 2014), but also said that rises would be "small and gradual". Only a few weeks earlier the Monetary Policy Committee reported that it believed there was still spare capacity in the economy, primarily in the labour market and that interest rates were unlikely to increase for the next 12 months. |
| **External – Housing Market** | The economic upturn has had a noticeable impact on buyer sentiment with first time buyers and home movers feeling more secure in making a move on the property ladder in more settled economic times. The pick up in buyer activity (with five years pent up demand coming back to the market) has led to quite sharply increasing house prices, particularly in London, with no material change in housing supply.<br><br>The domestic mortgage market remains difficult. There has been a positive impact of the Help to buy product, however the Mortgage market review, introduced in April 2014, may make getting mortgages even tougher.<br><br>On a positive note, the Group comfortably exceeded its first tranche shared ownership sales target for the year, but staircasing activity remains very low. |

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| Challenges | Commentary and context |
|---|---|
| **External – Funding market** | There is still no long term funding available from banks, although there are suggestions that terms may be available at maturities out to 15 years. There have been a couple of smaller new entrants to the banking offer.<br><br>Funding through the Capital markets is very much still available, and the 37bps margin achieved on the Affordable Housing Guarantee Programme bond issue in May 2014 demonstrated strong appetite remains despite the changes made to pensions in the 2014 budget. |
| **External – Welfare Reform** | Welfare reform is now well underway. Under-occupancy deductions (“bedroom tax”) commenced in April 2013 and initially affected around 1,700 Great Places residents, although this has now reduced to around 1,400 residents. The affect on arrears has been well controlled and to date there has been no material impact on demand for our properties. The benefit cap has had little impact.<br><br>The introduction of Universal Credit has been delayed, but will begin to roll out across the North West from the Summer of 2014. This reform will see direct payment of benefit to tenants rather than the landlord with a subsequent likely impact on arrears and bad debts.<br><br>There is likely to be more fiscal tightening to come (particularly after the 2015 election). |
| **External – Rent regulation** | The new rent standard and formula has provided 10 years certainty, but at a cost. The ending of the £2 rent convergence flexibility means that some properties will have rents that fall short of target levels with no way of catching up other than on relet. Whilst this will have a massive impact for some recent stock transfer Organisations, the impact for Great Places is around £160k per annum, almost entirely with the Sheffield transfer properties.<br><br>The move to a CPI based formula removes some of the inflation protection that RPs previously had, particularly if there is an increase in the divergence of RPI from CPI in future. The Bank of England now forecasts the long term RPI/CPI “wedge” to be 1.3% compared to 0.7% historically. |
| **External – Construction costs** | There has been a 26% rise in construction activity for private housing in the year to March 2014, and 70% of house builders expect construction costs to rise by between 5% and 10% in the next 12 months.<br><br>Land prices rose by over 7% in year to the end March 2014 and the majority of house builders expect urban land price rises of 10-15% over the next year.<br><br>New planning laws present a favourable climate due to the presumption in favour of development, but many challenges remain, particularly due to the localised nature of the planning decision process. |
| **External – Earnings inflation** | In recent years earnings inflationary pressures has eased due to the sluggish economy, with real pay having fallen by 10% in the last 6 years. However, unemployment has fallen and wages have started rising at levels similar to the rate of inflation. Earnings of c£20M are now close to 40% of Group total cash operating costs. |

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| Challenges | Commentary and context |
|---|---|
| **External – Pension costs** | Around 56% of Great Places staff are in a pension scheme, a significant increase on 12 months ago, due to the effect of auto-enrolment in November 2013. This saw an additional 150+ staff become scheme members at a cost of around £150k per annum.<br><br>The Social Housing Pension Scheme (SHPS) faces a tri-annual revaluation in September 2014 which could lead to revised benefit structures and increased costs from April 2016.<br><br>Changes to the state pension scheme will also lead to additional employer National Insurance Costs from April 2016. |
| **External – Interest rates** | Continuing low interest rates have helped the sector as a whole, despite RP debt being predominantly fixed rate. The markets are still very nervous and uncertainty such as that caused by the events in the Ukraine can create significant interest rate volatility.<br><br>The broad consensus is now that rates will begin to rise in late 2014, but at this stage the extent of rate increases is unknown. Some forecasters suggest that rates will settle at around 3% which would still be significantly below long term historic averages. |
| **External - Supporting People** | Significant pressure on Supporting People income remains. Local authorities are retendering services that are often significantly restructured in order to reduce costs, whilst existing contracts are facing income reductions or freezes. |
| **External - Accounting changes** | The forthcoming change in UK accounting standards will generate the biggest ever change in the presentation and content of the Financial Statements.<br><br>In addition to the technical accounting work required to ensure compliance, there is significant work required to explain the changes to the Board and other stakeholders, and to negotiate the changes with funders to avoid any need for changes to covenants that may require consent (and re-pricing of existing facilities). |
| **Internal – In house repairs** | During 2012 and 2013 the Group brought all of its responsive and void repairs service in house, replacing the previously contracted provision.<br><br>This brought about many improvements, but there remains a significant programme of work required to enhance aspects of the service such as call handling, labour productivity, materials, logistics and work scheduling. |
| **Internal – Delivery of HCA targets** | With less than a year until the end of the 2011-15 HCA Framework Delivery Agreement (which requires development of almost 1,300 affordable rent properties), the Group is on target to achieve all of the programme delivery targets.<br><br>Over 600 properties have been completed, all the remaining allocation is on site and there are around 700 properties due for handover during the coming year 2014/15. |
| **Internal –** | The Group has grown its surplus to over £9m in 2013/14 and delivered |

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| Challenges | Commentary and context |
|---|---|
| **Financial strength** | improved results in Operating margin, Surplus % of turnover and interest cover.<br><br>In April 2012 the Group published its debut credit ratings from both Moodys (Aa3) and Fitch (AA-). The Moodys rating was reduced by one notch to A1 in February 2013 following their downgrade of the UK economy as a whole, and then to A2 later in 2013 following their review of the sector as a whole. Moodys reaffirmed the A2 rating in a September 2013 annual review. Fitch confirmed their AA- rating at their annual reviews in both May 2013 and May 2014.<br><br>The Group maintained its top financial viability rating (V1) from the HCA in their January 2014 review. |
| **Internal - Business Systems** | During 2014/15 the Group will be implementing significant enhancements to the existing Customer Relationship Management (CRM) and Repairs systems. There will be a thorough review of the Group's ICT strategy so that future options can be identified and prioritised, whilst the underlying infrastructure will be externally reviewed to ensure it is fit for purpose and future proofed. |
| **Internal - Affordability** | Whilst the regulatory formula allows rents to rise by CPI+1%, this is a higher rate of increase than benefits and Local Housing Allowances (LHAs), both of which may serve to constrain rent increases to below formula levels.<br><br>With earnings constrained and the rising costs of fuel/food disproportionately impacting the lower paid, Great Places understands the challenge of affordability for an increasing proportion of our customers and recognises that it may not always be possible to achieve the formula increase in practise. |

**Results for Financial Year ended 31st March 2014**

The Group has achieved a surplus after tax of £9.2M for the year ended March 2014, a significant increase (£1.7m/23%) over the surplus achieved in March 2013. Part of this (£1.2M) is due to the one off benefit of the transfer of 78 properties to another local registered provider.

Turnover(excluding Joint ventures) reached £85.0M (2012/13: £79.9M), an increase of 6.4% driven by a combination of rental inflation, higher first tranche sales and continuing growth in property numbers.

Operating surplus has increased by 11.3% to £25.5M from £22.9M in 2012/13. This is underpinned by the surplus on social housing activities which grew from £22.7M to £25.1M (+10.8%), and represents 99% (2012/13: 99%) of the total operating surplus.

Housing properties at cost reached £1,033.2M, (2012/13: £971.5M) up £61.7M /6.3% in the year. This was due to Gross cash capital expenditure of £81.3M, funded primarily by £19.8M of grant, £8.0M of sales receipts, an increase in net debt of £29.7M and net operating cash of £22.9M. The Group made no impairment charges in the year.

During 2013/14 Great Places continued its very significant commitment to new and existing homes. Over £70M was invested in building new homes, with almost 600 new homes delivered in the year.

£12M of expenditure facilitated programmed improvements to over 1200 of the existing portfolio, whilst there was also c£10M outlay on the Group's responsive, relet and servicing maintenance activities. These figures demonstrate that Great Places allocated almost £100M of funding to expand or improve the homes it provides.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| For the year ended 31 March | 2014 £M | 2013 £M | 2012 £M | 2011 £M | 2010 £M |
|---|---|---|---|---|---|
| **Income & Expenditure account** | | | | | |
| Total turnover | 85.0 | 79.9 | 72.1 | 66.9 | 68.7 |
| Operating surplus | 25.5 | 22.9 | 17.7 | 12.5 | 13.1 |
| **Surplus for the year after tax** | **9.2** | **7.4** | **7.3** | **2.9** | **4.1** |
| | | | | | |
| **Balance Sheet** | | | | | |
| Housing properties at cost | 1,033.2 | 971.5 | 923.3 | 826.3 | 736.7 |
| Social housing grant | (517.8) | (506.9) | (502.6) | (454.2) | (407.9) |
| Depreciation | (73.0) | (66.2) | (61.0) | (54.0) | (19.2) |
| Other fixed assets | 7.2 | 7.7 | 7.8 | 7.8 | 8.1 |
| **Fixed assets** | **449.6** | **406.1** | **367.5** | **326.0** | **317.8** |
| | | | | | |
| Investments | 0.2 | 0.8 | - | - | 0.3 |
| Net current assets | 27.9 | 29.8 | 14.1 | 6.9 | 6.1 |
| **Total assets less current liabilities** | **477.7** | **436.7** | **381.5** | **332.9** | **324.2** |
| | | | | | |
| Creditors due after one year | 411.7 | 379.9 | 332.0 | 290.8 | 257.2 |
| Reserves | 66.0 | 56.8 | 49.5 | 42.1 | 66.0 |
| | **477.7** | **436.7** | **381.5** | **332.9** | **324.2** |

| For the year ended 31 March | 2014 | 2013 | 2012 | 2011 | 2010 |
|---|---|---|---|---|---|
| **Statistics and key ratios** | | | | | |
| **Surplus %**<br>Surplus for the year as % of turnover | 10.7% | 9.3% | 10.1% | 4.3% | 5.9% |
| **Interest Cover**<br>(operating surplus, add back surplus/deficit on sale of property in normal course of business, add back depreciation, impairment and gift aid) / (net interest payable) | 186% | 178% | 213% | 181% | 164% |
| **Interest Cover**<br>(As above, but with major repair capitalisation limited to 40% of total major repair expenditure) | 170% | 156% | 181% | n/a | n/a |
| **Gearing**<br>(Total borrowings less cash at bank and in hand)/ (Housing properties at cost less properties under construction | 40.5% | 41.5% | 38.5% | 35.7% | 36.9% |
| **Social Housing Letting interest cover**<br>(Surplus on social housing lettings / net interest paid (in cash flow statement)) | 1.1x | 1.6x | 1.4x | 0.9x | 1.3x |
| **Operating Margin before interest %**<br>(Operating surplus / turnover) | 30.0 | 28.8 | 24.5 | 18.6 | 19.0 |
| **Recurrent cash interest cover**<br>(Operating surplus plus depreciation and impairment / net interest in cash flow statement) | 1.7X | 2.3x | 2.3x | 2.1x | 2.2x |
| **Debt to revenue**<br>(Loans less arrangement fees plus finance leases / turnover) | 4.8x | 4.8x | 4.6x | 4.3x | 3.8x |

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

### Performance management

The Group manages performance through a balanced scorecard which assesses the achievement of the Corporate Objectives through a range of quantitative and qualitative measures. Each objective is assessed against the relevant set of measures and any corrective action identified. As the table below shows, 2013/14 has been a challenging year and for several measure the Group has been unable to achieve its ambitious targets whilst in other instances the steady trend of improvement seen in the last few years has come to an end. A detailed response to these dips in performance has been approved and is well underway.

| Objective | Indicative measures | 2013/14 Results | | 2012/13 | 2011/12 |
|---|---|---|---|---|---|
| | | Actual | Target | Actual | Actual |
| | **PROVIDING EXCELLENT CUSTOMER SERVICE** | | | | |
| Customer satisfaction & complaints | Overall Satisfaction<br>Satisfaction with repairs service<br>Satisfaction - complaints handling | 83.5%<br>82.9%<br>60.0% | 89.0%<br>93.0%<br>66.0% | 88.2%<br>92.2%<br>61.9% | 86.9%<br>92.1%<br>55.9% |
| Customer Focussed Services | Repairs appointments made at tenant's convenience<br>Gas servicing compliance<br>Satisfaction with call handling | 91.0%<br>100.0%<br>92.0% | 93.0%<br>100.0%<br>95.0% | 91.0%<br>100.0%<br>94.7% | 97.8%<br>100.0%<br>90.8% |
| Invigorate deprived communities | Tenancy turnover<br>Satisfaction with neighbourhood<br>No of people into apprenticeships | 9.4%<br>83.7%<br>43 | 10.5%<br>85.0%<br>40 | 10.5%<br>83.6%<br>n/a | 9.2%<br>88.5%<br>n/a |
| Well maintained homes | Decent Homes standard<br>Satisfaction - investment works<br>Satisfaction with quality of home | 100.0%<br>98.0%<br>77.0% | 100.0%<br>98.0%<br>85.0% | 100.0%<br>96.2%<br>83.6% | 100.0%<br>87.4%<br>87.6% |
| | **GETTING FINANCIALLY STRONGER** | | | | |
| Overall budget | Achievement of budget surplus | £9.3M | £8.4M | £7.4M | £7.1M |
| Turnover | Achievement of budget turnover<br>Void loss relet times<br>Current arrears | £85.1M<br>33 days<br>3.6% | £84.3M<br>25 days<br>4.1% | £79.6M<br>25 days<br>3.5% | £72.0M<br>27 days<br>4.1% |
| Operating costs | Achievement of budget | £59.6M | £60.1M | £51.9M | £54.4M |
| Building new affordable homes | Satisfaction with new home<br>Units started/completed | 91.6%<br>893/576 | 97.0%<br>782/461 | 97.1%<br>536/307 | 94.9%<br>385/58 |
| | **ACHIEVING OUR OBJECTIVES** | | | | |
| Engaged staff | % of staff who think this is a great place to work<br>Staff turnover<br>Sickness absence | 80.0%<br>9.8%<br>9.1 days | 90.0%<br>8.0%<br>7.5 days | 90.0%<br>8.3%<br>8.7 days | n/a<br>12.3%<br>7.6 days |
| Continuous improvement | Implementation of internal audit recommendations | 87.0% | 85.0% | 92.0% | 85.0% |

Some measures routinely included in this table have been removed as they are addressed in more detail in the value for money section of this report.

Looking forward, a revised performance management framework has been established for 2014/15, with increased focus on 7 critical success factors, supported by a more targeted range of performance indicators.

# VALUE FOR MONEY (VFM) SELF ASSESSMENT

**FOR THE FULL VERSION OF THIS SELF ASSESSMENT PLEASE GO TO OUR WEBSITE (www.greatplaces.org.uk)**

## VFM Overview

Great Places' two overarching goals, Providing Excellent Customer Service and Being Financially Strong both have explicit VFM dimensions to them. In many ways 2013/14 was a difficult and challenging year, but we still achieved most of our expectations, while acknowledging where we need to get better. Where we have identified problems, we have tackled them swiftly, by taking tough decisions and by implementing robust action plans.

VFM is incorporated into all decision making and we realise that we can't deliver our visions and values without delivering VFM. We seek low costs, high performance and high levels of customer satisfaction. The table below shows some important measures and trends:

| VFM highlights | | 2013/14 | 2012/13 | 2011/12 | 2010/11 | 2009/10 |
|---|---|---|---|---|---|---|
| **Financial VFM indicators** | | | | | | |
| Operating cost (excluding cost of sales) per home | A | £3,268 | £3,129 | £3,371 | £3,461 | £2,729 |
| Management cost per home | B | £881 | £820 | £810 | £881 | £728 |
| Planned and routine maintenance cost per home | C | £598 | £607 | £651 | £610 | £690 |
| Rent void loss per home | | £80 | £74 | £75 | £58 | £79 |
| **Housing management VFM indicators** | | | | | | |
| Current rent arrears | | 3.6% | 3.5% | 4.1% | 4.4% | 5.3% |
| Relet times – general needs properties (days) | | 34 | 25 | 27 | 23 | 32 |
| Resident satisfaction – overall | D | 83.5% | 88.2% | 86.9% | 81.6% | 78.0% |
| Resident satisfaction – repairs | D | 82.9% | 92.2% | 92.1% | 74.2% | 67.0% |

Number of homes = total owned and/or managed per notes 28 and 29.
Operating cost (exc cost of sales), management cost, planned and routine maintenance cost and void loss all per note 3
Housing management performance indicators per balanced scorecard

A: Operating costs have increased broadly in line with inflation.

B: The key driver for increased management costs is extra financial inclusion staff introduced to limit the impact of welfare reform.

C: Having brought our repairs service in-house we have benefitted from expected savings in maintenance costs due to better managerial control and not having to pay VAT.

D: Levels of satisfaction have been impacted by service delivery issues with our in-house repairs service. A robust action plan is now making a difference and rolling satisfaction figures for the first quarter of 2014/15 are 85% for overall satisfaction and 88% for repairs satisfaction.

## VFM - Benchmarking

We are members of a 'back office' benchmarking club that has been run by Baker Tilly for the last 4 years. Over 60 RPs nationally participate in the programme which compares costs of back office functions such as HR, ICT and Finance. Initially 3rd quartile, Great Places has worked hard to control back office costs and is now firmly established as a top quartile performer.

The extract overleaf is from the most recent Housemark Core Benchmarking report, 2012/13, comparing the performance of Great Places with 22 similar RPs. Of these 15 measures considered, 5 relate to costs and 10 relate to quality of service delivery and customer satisfaction. Great Places is at the median for 2, above the median for 9 (60%), and is in the upper quartile for 6 (40%).

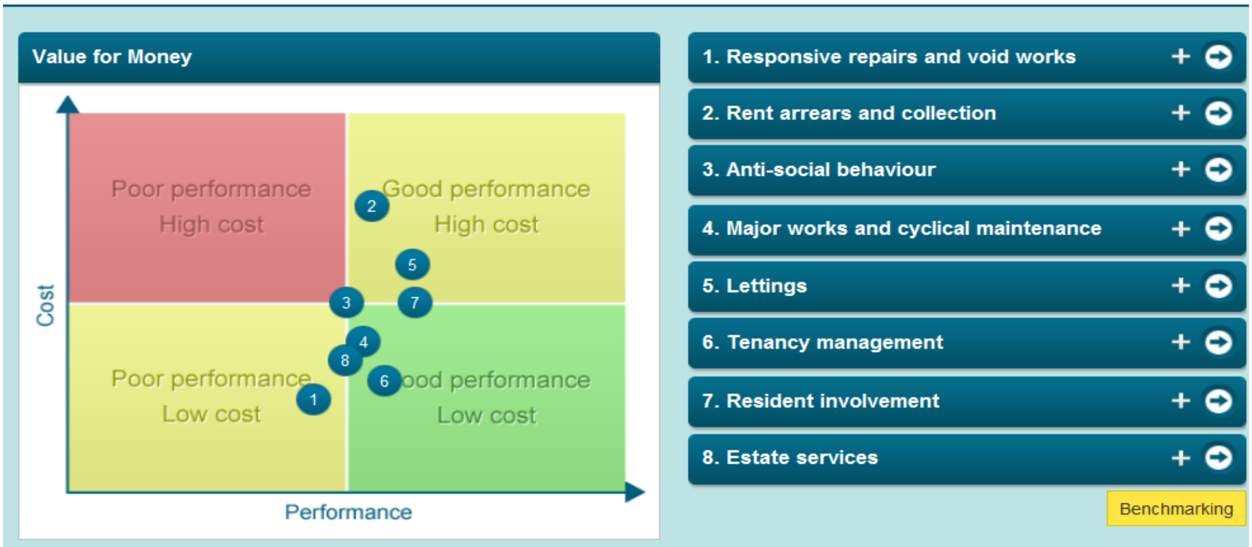
This year we have taken a 'roadshow' around our different teams to share key messages, and to use this important information as a can opener to focus on areas for improvement for 2014/15.

### OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| Business Activity | Cost KPI | Cost Quartile | Quality KPI | Quality Quartile |
|---|---|---|---|---|
| Overheads | Overhead costs as % adjusted turnover% | | Overhead costs as % direct revenue costs | |
| Major Works & Cyclical Maintenance | Total CPP of Major Works & Cyclical Maintenance | | Percentage of tenants satisfied with overall quality of home (GN & HfOP) | |
| | | | Percentage of dwellings failing to meet the Decent Homes Standard | |
| Responsive Repairs & Void Works | Total CPP of Responsive Repairs & Void Works | | Percentage of tenants satisfied with the repairs and maintenance service (GN & HfOP) | |
| | | | Average number of calendar days taken to complete repairs | |
| | | | Average time in days to re-let empty properties | |
| Housing Management | Total CPP of Housing Management | | Percentage of tenants satisfied with overall services provided (GN & HfOP) | |
| | | | Total number of tenancies terminated during the year as a % of properties managed (GN & HfOP) | |
| | | | Current tenant rent arrears net of unpaid HB as % of rent due | |
| Estate Services | Total CPP of Estate Services | | Percentage of tenants satisfied with their neighbourhood as a place to live (GN &HfOP) | |

| Upper Quartile | Middle Upper | Median | Middle Lower | Lower Quartile | N/A | No Data |
|---|---|---|---|---|---|---|
| | | | | | NA | |

As shown in the diagram below, for the majority of our services, we are within, or close to, the 'Good Performance, Low Cost' quadrant in Housemark's Core Benchmarking VFM data.




*This is a snapshot of our performance for 2012/13 based on a peer group of 18 housing providers in the North West with more than 10,000 properties, as determined by Housemark.

## VFM: Embedding a Strategic Approach

Improving VFM is viewed as a sign of good governance in action, as a means of achieving corporate objectives and business effectiveness. Over the past year, the Group has adopted a more strategic and structured approach to ensuring VFM is embedded throughout the organisation, including:

- We have clearly defined VFM in the context of the Group's objectives, widely communicating this through articles in the staff newsletter and intranet, and blogs from the Executive team;

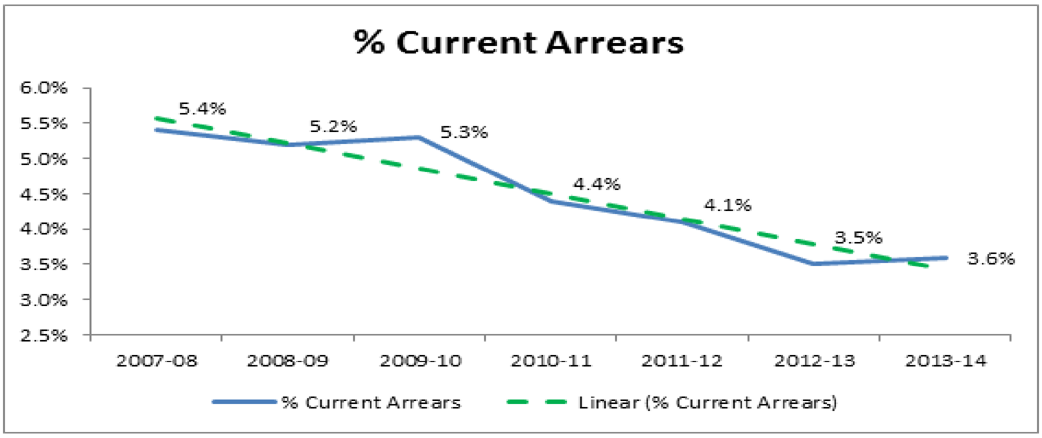
**OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD**

- Explained how strategic decisions have been driven by VFM, ensuring a better understanding of the relationship between quality, cost, customer needs and organisational objectives;
- Established the "Customer Services Voice" group to monitor performance and to provide a "critical friend" to the Executive team, and also introduced a new enhanced Scrutiny Panel;
- Commissioned Housemark to carry out VFM workshops during which over 40 staff across the Group were able to identify evidenced of Great Places' commitment to VFM. Benchmarking data was shared, and good, and not so good, practices were discussed;

## VFM: How have we done?

**VFM: Improving service quality**

- Having implemented an in-house repairs service in 2012, our performance across a range of measures began to drop during the middle part of 2013, showing how getting repairs wrong can impact right across the business, such as overall satisfaction and voids and relets.
- Since mid-2013 we have been focused on improving service delivery within the investment, compliance and responsive repairs teams, enhancing supply chain arrangements, work scheduling, productivity and performance management systems. The health and safety compliance framework is also being reviewed and strengthened;
- Despite these issues, we have maintained 100% compliance with the Decent Homes Standard;
- During 2013/14 we introduced a new approach to complaints management, designed to make the complainants experience as positive as possible and focused on enhanced communication with the complainant, positive outcomes, fair resolution and good customer care:
- The Financial Inclusion team continued its excellent work – targeting people most affected by welfare reform, benefitting tenants by over £1M by helping with access to things like basic bank accounts, cheaper energy tariffs, affordable insurance and debt advice. Despite welfare reform, rent collection results continue to show a very encouraging long term trend:




- We have invested £19k into an affordable loan scheme with Manchester Credit Union (which is open to all of our tenants) and to date this has been used to provide £44k worth of affordable credit, saving an estimated £50k in repayments. This initiative is part funded by our Tenant Dividend, so customers themselves are at the heart of this project.
- Our new digital trainer has recruited champions from the wider staff team to support him in delivering training to more customers. To date, over 1,000 customers have registered for self service through the website and in a recent survey 80% felt confident in using the internet.
- We believe an engaged workforce is key to delivering great customer service. After success in the Sunday Times Best Companies survey, the Group switched to the "Great Places to Work" survey: In early 2014 we were delighted to be rated the 12th "best large workplace in the UK".

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

**VFM: Effective procurement**

Recognising the importance of effective procurement, Baker Tilly were engaged to undertake a healthcheck of our approach and concluded 'this represents excellent progress to date.' As a result, we are strengthening the procurement team both in numbers and mandate. We have introduced a new Procurement Strategy, with a policy placing the team at the centre of all procurement activity.

By the end of 2016 we have expect that the procurement team will influence 80% of all spend and that we will save around £2m – examples already in place or planned include:

- Re-procurement of the Group's mobile communications services has saved around £30k pa, whilst re-procuring the fixed line telephone contract has delivered annual savings of c£60k.
- Re-tendered the external audit service – not least to meet best practice, but with the welcome side effect of generating cost savings of c£20k per annum;
- Renegotiation of our gas servicing contract will generate savings of almost £100k per year;
- A new legal services framework will generate savings of c£100k pa, a significant reduction in the number of firms being used and enhanced contract management arrangements;
- Developing an in-house construction team for new build will lead to substantial savings. We anticipate the savings will be up to 10% per dwelling, or up to £1m per annum;
- The Group's "toolbox" employment and training initiative has generated social value by helping 15 people into employment, 43 into apprenticeships, 113 into training and 62 into work experience. In addition 450 people were given advice/sign posting to help employment prospects, 138 supported via our work clubs, and 153 have taken part in community projects;
- The Group's biggest area of spend is development costs. Here the combination of the ICNW framework procurement and consistent use of standard house types help drive down costs;
- The "Project 300" volume procurement initiative for development projects has not only achieved over £400k of cost savings, but also achieved further social value to local communities through work with local schools, clearance works to a Scout garden and the preservation in a local museum of historical artefacts found on site.

**VFM: working smarter:**

Utilisation of the same resources, but in better ways can generate VFM:

- The handyman scheme has improved satisfaction for supported housing residents, as has the recycling of goods and furniture between schemes. The re-use of show home furniture has reduced costs and benefited residents who are gifted the items at the end of their use;
- Energy efficiency training was held for both staff and residents. Solar panels were introduced to reduce fuel poverty, use of a fuel switch website generated savings for residents and education in energy use helped shift away from 24-hour constant heating. Rolling out a programme of carbon literacy training sessions to staff has the aim of reducing the carbon footprint of the Group as a whole and also of the staff as individuals;
- Changing caretaker vehicles to those with cages, which has enabled easier clearing of bulk rubbish, less reliance on external contractors and greater customer satisfaction;
- Web-conferencing facilities have helped to reduce travel costs, mileage and CO2 (£7,200 in 2012, over 18,000 miles and over 4.5 tonnes of CO2);
- Delivering group-wide, tailored refresher training on Customer Service, using our own staff rather than through external consultancy has saved around £50k.

## VFM: Future priorities

As well as continuing to embed VFM, in 2014/15 the Group intends a range of VFM actions including:

- Reviewing the structure and resourcing of some key functions including property services, health and safety and procurement, to ensure these services are effectively delivered;
- Re-procurement in many areas including heating investment, external decorating, servicing, recruitment, insurance and furniture where we expect to realize savings of between 5-10%;

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- Concluding two long standing VAT recovery opportunities on homebuy agency fees and choice based lettings charges. There will be a c£200k one-off benefit, plus c£5k pa going forward;
- Invested in a new fleet coordinator post that will facilitate savings in fleet and fuel costs;
- A major review of facilities management activities, most notably cleaning of communal facilities and offices, will lead to more effective service delivery and a savings target of 10%;
- We will shortly be implementing the Group's upgraded customer relationship management (CRM) system and the interlinked repairs system which will create more effective, joined up systems and will facilitate more efficient ways of working.

## VFM: Sweating our Assets

Great Places has developed a robust set of tools that allows us to understand the value of our property assets. We have identified around 160 neighbourhoods across 12,000 General needs properties enabling us to see how each is performing across a suite of KPIs and hence identify with those properties which perform well and those which don't. Monitoring of performance across each neighbourhood allows us to identify where intervention is required, with local context and partnerships playing a key role in the decision-making process.

This information helps us improve the sustainability of the Group's stockholding; identify and sell unsustainable and unviable stock; divest less profitable business streams (such as some of our key worker stock); reinvest sales proceeds in sustainable neighbourhoods; and identify our high value stock so we can decide if and when to make high cash-generative disposals;

In March 2014, the Group disposed of around 80 properties located in the middle of a large estate belonging to another local Registered Provider. The mutually beneficial disposal allowed the other RP and the newly transferred customers to benefit from economies of scale and the neighbourhood service already in place across the estate, whilst Great Places realised a positive sales receipt which will be reinvested into other communities where the Group does have scale and influence.

## VFM: Conclusion

Working with our new Board we have agreed seven key indicators, or critical success factors, contained in the table below:

| Critical success Factor (CSF) | Year End Position: 2013-14 | National Top Quartile | National Median | National Lower Quartile | Minimum 12 month Target | 12 month Stretch Aspirational Target | 24 month Stretch Aspirational Target |
|---|---|---|---|---|---|---|---|
| Overall Customer Satisfaction | 83.5% | 90.0% | 87.0% | 82.0% | 85.8% | 87.0% | 90.0% |
| Group Surplus | £9.4M | - | - | - | £10.1M | | |
| Arrears including HB | 3.6% | 2.0% | 2.9% | 4.3% | 4.0% | 3.4% | 3.2% |
| Void Loss | 1.1% | 0.8% | 1.1% | 1.6% | 1.0% | 0.9% | 0.8% |
| Staff Sickness | 9.1 | 7.4 | 9.2 | 11.3 | 9.0 | 8.0 | 7.4 |
| Practical Completions | HCA target met | - | - | - | HCA target | HCA target | HCA target |
| Overall Repairs Satisfaction | 82.9% | 97.0% | 94.0% | 88.9% | 86.0% | 90.0% | 94.0% |

Each of these targets has an improvement plan, and high profile reporting of performance against them will ensure we maintain focus on achieving our corporate objectives and providing VFM.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

**There is one simple output where Great Places feels its performance stands out from the crowd – the delivery of new homes:**

For the past 5 years, Great Places has consistently built new affordable homes at the rate of 600 pa, a challenge for an organisation of our size. If the RP sector as a whole (2.7M homes) could match this rate, then the sector could build 100,000 new homes pa. This would hugely exceed the 36,000 built in 2012/13. It would hugely exceed the sector's plans for the next 2 years (128,000 per the HCA 2013 Global Accounts). It would even significantly outperform the NHF ambition of 80,000 new homes pa. So, in terms of what Great Places manages to achieve from its asset base, we consider ourselves to be delivering exceptional VFM.

**Overall the Board concludes that Great Places is clearly meeting the HCA's regulatory requirement on Value for Money**

### Accounting policies

The Group's principal accounting policies are set out within the notes to the financial statements. The policies that are most critical to the financial results relate to accounting for housing properties and include: capitalisation of improvements, housing property depreciation, impairment and the treatment of shared ownership properties.

### Treasury Management Policy, capital structure, cash flows and liquidity

The Group fully updated its Treasury Management Policy and Procedures in early 2013 and will refresh the Treasury Strategy again in the spring of 2014.

The Group borrowed £32.9 million during the year which was achieved through the part issue of that amount of the Group's retained bond in November 2013 at an all-in price of 4.54%. This was utilised to part-fund the Group's ongoing development activity. Just over £2.0 million of existing loans were repaid, giving a net increase in debt of £30.8 million.

| **Capital Structure** | | | | | | |
|---|---|---|---|---|---|---|
| **As at 31 March** | **2014** | **2013** | **2012** | **2011** | **2010** | **2009** |
| **Maturity** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Within one year | 1,672 | 1,796 | 1,651 | 1,697 | 2,508 | 1,408 |
| Between one and two years | 1,737 | 1,777 | 1,684 | 1,725 | 2,548 | 1,418 |
| Between two and five years | 13,864 | 8,151 | 6,945 | 5,411 | 7,786 | 4,391 |
| After five years | 396,684 | 372,537 | 324,227 | 284,001 | 247,641 | 238,461 |
| **TOTAL** | **413,957** | **384,261** | **334,507** | **292,834** | **260,483** | **245,678** |
| | | | | | | |
| Fixed | 377,283 (91%) | 345,835 (90%) | 210,484 (63%) | 194,551 (66%) | 199,372 (76%) | 147,414 (60%) |
| Variable | 36,674 (9%) | 38,426 (10%) | 124,023 (37%) | 98,283 (34%) | 61,111 (24%) | 98,264 (40%) |
| | | | | | | |
| Bond Issues (2012/2013) | 181,453 | 148,578 | - | - | - | - |
| 2007 refinanced facility | 194,095 | 194,095 | 291,296 | 246,017 | 211,996 | 194,495 |
| Other debt | 38,409 | 41,588 | 43,211 | 46,817 | 48,487 | 51,183 |

The Group's borrowings are principally from banks, building societies and the debt capital markets, at both fixed and floating rates of interest. The approved Hedging Strategy identifies an approach that allows for flexibility and caters for a changing interest rate environment, setting targets across a range of interest rates. The strategy approved in March 2013 aims to keep 75% (+/-10%) of borrowings at fixed rates of interest, unless specifically approved otherwise.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

As at 31st March 2014 the Group had 91% fixed rate debt, outside the approved range, but authorised to be so as during the approval of the retained bond transaction in November 2013.

During 2014/15 the Group expects to borrow c£50 million of new debt, of which around 60% is expected to be on variable terms and hence the proportion of fixed rate debt will move to 85%.

The Group's loans are secured against housing properties using either Existing Use Value – Social Housing (EUV-SH) or Market Value Subject to Tenancy (MVST). Properties are revalued by valuers appointed by the relevant funder at intervals stated in the loan documentation.

| Security Position As at 31st March 2014 | Total Units | MVST (£M) | Units at MVST | EUV-SH (£M) | Units at EUV-SH | Loan support-able (£M) | Current loan (£M) | Loan draw-able (£M) |
|---|---|---|---|---|---|---|---|---|
| 2007 refinanced facility | 4,216 | £202.6 | 3,642 | £20.8 | 574 | £195.5 | £174.1 | £20.1 |
| Bond | 3,938 | £149.7 | 2,676 | £53.4 | 1,262 | £181.0 | £181.5 | £0.0 |
| Other Debt | 3,896 | £60.9 | 1,303 | £93.3 | 2,593 | £126.1 | £59.2 | £67.1 |
| Properties valued, not yet charged or drawn | 242 | £17.6 | 224 | £0.6 | 18 | £15.2 | £0.0 | £15.2 |
| Properties not yet valued | 2,063 | £89.6 | 1,688 | £13.8 | 284 | £91.0 | £0.0 | £91.0 |
| **Total** | **14,355** | **£520.2** | **9,533** | **£168.0** | **4,731** | **£608.7** | **£415.1** | **£193.6** |

Interest rate swaps are used to provide a hedge against the Group's exposure to interest rate fluctuations. The hedging strategy is regularly updated to ensure it remains appropriate in an ever changing financial climate and also in response to the Group's funding strategy.

Hedging is one of the tools adopted to have managed the market price risk of interest costs, and together with a range of sensitivity analyses run against the Group's business plan allows Great Places to monitor its exposure in this regard. No new hedging was undertaken in the year.

| **Standalone Swaps – Mark to Market (MtM) Exposure** | | | | | |
|---|---|---|---|---|---|
| **Counterparty** | **Unsecured Threshold** | **MtM Exposure** | **Collateral requirement** | **Property** | **Cash** |
| Counterparty A | £7,500,000 | £4,563,027 | £0 | £0 | £0 |
| Counterparty B | £7,500,000 | £7,277,690 | £0 | £0 | £0 |
| Counterparty C | £3,000,000 | £7,600,796 | £4,600,796 | £0 | £6,351,000 |
| Counterparty D | £4,900,000 | £4,421,284 | £0 | £0 | £0 |
| Counterparty E | £3,000,000 | £249,018 | £0 | £0 | £0 |
| **As at March 2014** | **£25,900,000** | **£24,111,815** | **£4,600,796** | **£0** | **£6,351,000** |
| **As at March 2013** | **£25,900,000** | **£35,622,445** | **£12,138,466** | **£0** | **£12,011,000** |
| Movement in year | | £11,510,630 | -£7,537,670 | £0 | -£5,660,000 |

The fixed rate transactions include a mix of embedded and stand alone swaps. The stand alone swaps are transacted through International Swaps and Derivatives Association ('ISDA') agreements and as a result of movements in interest rates, at the year end, the Group has provided £6.4M of cash as security to its counterparties as shown in the table above (included within investments on the balance sheet).

The reduction in the security requirement reflects the upward movement in long term interest rates between March 2013 and March 2014 with the most relevant 15 year rate having increased from c2.5% up to c3.1% in that period. The average maturity of the swaps is 16 years.

The fixed rates of interest on the whole portfolio range from 2.30% to 11.50%, and on the standalone swaps range from 2.30% to 4.97%.

The Group's lending agreements require compliance with a number of financial and non-financial covenants, most notably interest cover and gearing, both of which are shown on page 12. The Group's position is monitored on an on-going basis. Our latest management accounting information and business plan projections confirm that the Group is in compliance with its loan covenants at the balance sheet date and we expect to remain compliant in the foreseeable future.

The Group borrows and lends only in sterling and so is not exposed to currency risk.

**Cash flows**
Cash flows during the year are shown in the consolidated cash flow statement (page 37). The major influence on the scale and timing of future borrowings is the Group's development programme.

**Liquidity, cash management and investment**
The Group's policy is to borrow sufficient monies to meet its known and reasonable contingent requirements for liquidity. The Group shall ensure it has adequate, though not excessive, cash resources, borrowing arrangements, overdraft, revolving credit or other stand-by facilities to enable it at all times to have the level of funds available to it which are necessary for the achievement of its business and service objectives. These requirements are set out in the approved Treasury Management Strategy and are monitored regularly as part of the cash flow reporting regime.

The Group business plan identifies gross funding requirements of £58m in 2014/15, £53m in 2015/16, £30m in 2016/17 and £25m in 2017/18 – a total of £166m. At March 2014, undrawn long term bank facilities amount to £115m, with an additional £50m of Affordable Housing Guarantee Funding undrawn and with a further £60m of short term revolving facilities also available. These facilities are intended to finance the Group's ongoing development activity, the current business plans indicates the facilities will last until 31st March 2018 and the facilities are available until December 2018.

As at 31st March 2014 the Group had £70m of these facilities fully secured, in line with the liquidity requirements set out in the updated Treasury Management Policy and is planning to secure at least a further £50m during 2014/15. The Group also has the ability to access the remaining £18m retained element of its bond issue together with the option to tap the bond in future years.

The Group holds its surplus cash as cash or cash equivalents and will not invest in gilts, equities or other non-money assets.

## Future Outlook

The Framework Delivery Agreement signed by the HCA in September 2011 will see the Group deliver 1,281 properties in the four year period ending March 2015. The total programme cost is £158M

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with just under £30m of grant funding. At 31st March 2014 the Group has achieved all the interim targets and milestones:

- Over 600 properties have been completed
- All of the remaining allocation is on site
- c£21M grant has been received so far
- Nearly 700 properties will be handed over during 2014/15.

The contract that the Group signed with the HCA for the Affordable Rent Guarantee Programme for 2015-17 was for 922 properties, supported by £17M of grant and with a total cost of £100.7M. The contract included 142 shared ownership properties (15% of the allocation) and again comprised almost entirely 2/3 bed houses. These schemes are now beginning to go on site although most of the expenditure is profiled into 2015/16 and 2016/17.

Great Places was successful in obtaining £50m of “guarantee” funding, comprising a £20.5M AHF bond which reached financial completion in May 2014 at an all-in cost of well below 4%, and a £29.5M EIB loan which can be drawn between September 2014 and September 2015.

The Group has recently bid for additional HCA funding for the period 2017-2018 in line with business plan assumptions.

In addition to these HCA contracts, the Group continues to undertake additional non grant funded schemes negotiated through s106 deals with house builders. Since November 2011 the Group has acquired over 130 properties for rent or for shared ownership through this route.

At the end of 2013/14, the Group had just 17 unsold properties, (15 shared ownership and 2 outright sale), of which all but one were reserved for sale. Sales periods have reduced steadily and target prices consistently achieved.

This gives increased confidence for the next couple of years when the Group is expecting to sell c100 shared ownership units and, through Cube, will commence construction of around 40 market sale properties, on three sites in good locations in Salford, Cheshire and Trafford. The Group Business Plan assumes this profitable activity continues, but only for a 10 year period.

Whilst the scale of development is one of the key drivers of future financial performance, the approved business plan takes account of a number of known or assumed factors. The plan reflects the disappointing loss of the Help to Buy agency contract that Plumlife had successfully operated for several years, but that is partly offset by the successful tender for the contract to run the sales and marketing service for the Manchester Housing Investment Fund.

The Group plans to expand its market rental activity, having consolidated around 100 existing market rent units into a single portfolio run through Cube. Over the next few years the Group plans to expand that portfolio to around 500 properties, through a mixture of new development and acquisition of existing rented properties.

The Group continues to plan to fund the investment needs of its housing stock in full – a modest void disposal programme will also continue and this will offset a small element of investment spend on properties which are simply uneconomic to bring up to the required standard.

The Group has agreed funding facilities in place that will meet all known and expected commitments through to March 2018. Whilst the Group has the ability to go back to the capital markets to “tap” the existing bond, it is also alert to new opportunities as they arise like the Affordable Housing Guarantee Funding, of which the Group secured £50M.

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Over the next couple of years the Group will slowly reduce the fixed proportion of its debt portfolio from over 90% to nearer c75%, the mid point of the approved target range.

### Risk management

While risk is inherent and unavoidable in every activity that any organisation undertakes, Great Places' risk management strategy is designed to manage risks in the best possible way and reduce their potential for damage down to an acceptable level. Innovation and achievement will help the Group remain financially viable and commercially dynamic, but these always entail risk and we do not wish to turn the group into an excessively risk-averse organisation.

The risk register and risk map are regularly reviewed to ensure they are up to date in light of continuously changing circumstances. Our main strategic risks and mitigating actions are summarised in the following table:

| Risks | Actions to mitigate |
|---|---|
| Welfare reform | • Creation of a financial inclusion team in 2009 provided an established, experienced resource to tackle the changes early;<br>• The number of tenants affected by the under-occupancy supplement (bedroom tax) has reduced from an initial estimate of around 1400, partly due to a successful downsizing initiative;<br>• A wide mix of properties types/size helps protect demand;<br>• Maximising the collection of discretionary housing payments (DHPs) has reduced arrears by over £150k;<br>• The benefit cap at £26k does not affect many Great Places residents; |
| In house repairs service | • During 2012 and 2013 the Group brought all of its responsive and void repairs service in house, replacing the previous contractor provision;<br>• This brought about many improvements, but there remains a significant programme of work required to enhance aspects of the service such as call handling, labour productivity, materials, logistics and work scheduling;<br>• A staffing restructure will also enhance the compliance and investment teams. |
| Availability of funding | • The Group is in a strong position with funding in place up to 2017/18;<br>• Having already successfully accessed the Capital Markets, the Group is in a position to "tap" its bond issue in future;<br>• The Group remains alert to offers from existing and new funders (eg the Affordable Housing Finance guarantee funding);<br>• The potential for a re-price means the Group and its funders remain in close contact; |
| Availability of security | • Internal processes ensure new developments are available for security usage with minimal time delay;<br>• Properties are released from security swiftly once revaluations are received;<br>• Managed-only stock has been acquired or returned to its owner;<br>• Legacy debt regularly reviewed for repayment opportunities and security release; |

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| Risks | Actions to mitigate |
|---|---|
| | • Unsecured facilities and lease arrangements considered; |
| Supporting people income | • The Group has been successful in retaining or expanding its services in competitive procurement situations;<br>• Services have been restructured to meet revised requirements from local commissioning partners and generate cost savings;<br>• Alternative income sources have been successfully sought;<br>• Management and staffing structures and terms and conditions are being reviewed; |
| Changes to Regulation | • The Group's Value for Money self assessment is presented elsewhere in this OFR and will build on the 2013 self assessment which was one of relatively few adjudged by the HCA as being fully compliant;<br>• The HCA's requirement to ensure the protection of social housing assets sits comfortably with the Great Places structure, where non-regulated activity is focussed through Cube;<br>• There seems to be a movement towards regulation impinging more into areas that might previously have been considered as purely operational (recent examples include regulatory action in respect of asbestos and rent calculations); |
| Governance | • Following last year's statement of non-compliance with its code of governance, the Group has completed a thorough review of all its Governance arrangements. This has led to:<br>o A new code of governance being adopted<br>o Revised governance resourcing including a strengthened Company Secretarial function and additional staffing resource;<br>o Creating a co-terminous Board for GPHG, GPHA and Plumlife;<br>o Replacement of 6 Board members in September 2013, with the remaining pre-2013 members due to retire in September 2014 and a recruitment process underway;<br>• The success of these measures was demonstrated by the reinstatement by the HCA of a G1 Governance assessment in May 2014. |
| Changes to Accounting rules | • The proposed changes to UK accounting standards, coupled with a new Statement of Recommended Practice (SORP) threatens some of the most comprehensive changes ever to the financial statements of the Group and indeed the sector;<br>• The Group has established a project team including additional permanent resourcing to ensure Great Places is able to implement the required changes on time and with no unforeseen outcomes;<br>• The Group has contributed to a strong sector-wide response that has tackled some of the most difficult outcomes, particularly in relation to impairment. |
| New rent regime | • The new CPI+1% formula has created 10 years of certainty;<br>• The removal of the +/-£2 rent convergence allowance has reduced the Group's potential rental income by c£160k per annum;<br>• The new formula introduces additional risk as it removes the direct link between income and costs – from now on the Group is exposed to any increase in the "wedge" (the difference between CPI and RPI);<br>• If the wedge grows to more than ½%, and the Group's costs continue to |

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

| Risks | Actions to mitigate |
|---|---|
| | be driven by RPI rather than CPI, then the new formula puts the Group in a weaker financial position. |
| Maintain development programme | • The Group retains a high quality experienced development team which has the full confidence of the HCA and is well respected by local authorities and other partners;<br>• Great Places is able to respond positively to complex HCA bidding processes;<br>• The Group aims to obtain good grant rates;<br>• There is a small programme of disposals and conversions that help create capacity;<br>• Great Places has invested in long term development opportunities such as the Sheffield Housing Company;<br>• The Group has built good relationships with developers and builders, and has strengthened its commercial team, which will help maximise the potential of S106 opportunities;<br>• The Group is seeking means of controlling inflation by more actively looking at land banking opportunities and maximising procurement efficiency. |
| Local and national government policy | • The Group has responded positively to the localism agenda;<br>• The Group recognises the potential opportunities that might spring from Public Sector reform, notably in areas such as health and probation; |
| Internal resources – Capacity and the pace of change | • The Group has recognised the need to say no to some projects and has adopted a more strategic approach to prioritising initiatives;<br>• Where there are simultaneous large projects, the Group recognises the need for robust project management and appropriate resourcing, and will use temporary resource and external experts when required;<br>• There is a renewed focus on getting the basics right;<br>• There is a continued commitment to staff development in order to minimise the risk of the loss of key staff. |
| Pension costs | • Around 56% of Great Places staff are in a pension scheme;<br>• This was a significant increase on 12 months ago, due to the effect of auto-enrolment in November 2013 which saw an additional 150+ staff become scheme members at a cost of around £150k per annum;<br>• A pension salary sacrifice scheme was introduced in April 2013 to help offset the additional pension costs;<br>• The Group has commissioned an independent review of its current pension arrangements during the latter part of 2014, its recommendations to coincide with the SHPS triennial revaluation. |

### Board members and executive directors

The Board members and the executive directors of the Group as at 31st March 2014 are set out on page 1 of these financial statements. Details of all the members and directors that have served during the period from 1st April 2013 up to the date these statements have been signed are disclosed in note 10.

The Board members are drawn from a wide background bringing together professional, commercial and local experience. In recognition of the increasing challenges and responsibilities facing the Board

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

and the time and effort they put into performing their duties, the Group remunerates its Board members and formalises these arrangements through individual Board member service contracts.

The executive directors are the Group Chief Executive and the other members of the Group's senior management team. They hold no interest in the Group's shares and act as executives within the authority delegated by the Board. Periods served by the executive directors are shown in note 1.

Of the executive directors, only the Group Chief Executive is a member of the Great Places Board. Stephen Porter retired from that role and from the Board on 11th April 2013. Matthew Harrison was appointed to the role of Group Chief Executive and to the Board on 11th April 2013.

Insurance policies indemnify Board members and officers against liability when acting for the Group.

**Other benefits**
The executive directors are entitled to other benefits such as the provision of a car (or car allowance) and health care insurance. Further information on the emoluments of the executive directors is included in note 10 to the audited financial statements.

**Executive Pensions**
The executive directors are members of the Social Housing Pension Scheme. They participate in the scheme on the same terms as all other eligible staff and the Group contributes to the scheme on behalf of its employees.

**Staff Pension costs**
The Group participates in four defined benefit pension schemes, the Social Housing Pension Scheme (SHPS – 206 staff participate), the Pension Trust Growth Plan (PTGP – 3 staff participate), the South Yorkshire Pension Fund (SYPF - 14 participants) and the Greater Manchester Pension fund (GMPF - 7 participants).

SYPF is a final salary related scheme open to employees that work on the Sheffield stock transfer estates. GMPF is a final salary related scheme open to employees that work on the Oldham PFI.

SHPS provides a final salary related scheme for staff employed prior to April 2007 and a career average salary related scheme for staff employed after that date. All the schemes offer excellent benefits for our staff. The Group has contributed to the schemes in accordance with levels, set by the actuaries, of between 4.4% and 8.2%, together with further lump sum payments to address the historic deficit.

The most recent formal actuarial valuation of SHPS was undertaken as at 30 September 2011, at which date the scheme has reported a deficit of £1,035M (67% funded) compared to £663M (69.7% funded) at September 2008). A deficit reduction plan was introduced by SHPS in April 2013 that included a revised benefit structure and increased contributions to cover the historic deficit.

In 2013/14 the Group paid £0.9m in 3 different phases of deficit reduction contributions over periods that will end between October 2020 and October 2026. From March 2015, as a result of the introduction of IFRS, these payments will be disclosed as a liability of c£7.3m, reducing to nil over the period to October 2026.

The next triennial revaluation of the SHPS scheme is due at the end of September 2014 and SHPS will publicise the results, any new deficit reduction requirements and alternative benefit options in the early part of 2015. The Group has commissioned an independent review of potential options for consideration at that time.

A SHPS defined contribution scheme is also available (159 participants). This scheme forms the base pension offer to which all new staff are auto-enrolled, and to which all staff not in a pension scheme

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

will be autoenrolled (again) in November 2016. When autoenrolment first occurred in November 2013, over 400 staff were initially autoenrolled and over 150 remain opted in.

**Internal controls assurance**

The Group Board acknowledges that it is ultimately responsible for ensuring that the Group establishes and maintains a system of internal control appropriate to its operating and business environment and that it reviews the effectiveness of that system.

Great Places has the reasonable expectation that our systems of internal control are able to prevent and/or detect fraud and to manage the risk of failure to achieve business objectives. However, we recognise that internal control systems can only provide reasonable assurance and cannot provide certainty nor eliminate fraud. The Group has an up-to-date Anti Fraud Policy and maintains a register of actual or attempted fraud.

The process for identifying, evaluating and managing the significant risks faced by the Group has been in place throughout the period commencing 1 April 2013 up to the date of approval of the report and financial statements.

**Key elements within the control framework include:**

- Independently reviewed and refreshed governance arrangements with renewed terms of reference for the Board and updated delegated authorities and reporting frameworks for the Executive team, the Audit and Assurance Committee and the Remuneration and Appraisal Committee;
- Clearly defined processes for the identification, evaluation and control of significant risks;
- Robust, appropriate and up to date policies and procedures, with compliance monitored on a ongoing basis and with a regular review process;
- A strong, independent Internal Audit function, adopting a risk-based mixed approach utilising a combination of a single external provider of audit planning, control and oversight, other external specialist expertise and also internal quality control, benchmarking and improvement resources. At the end of 2013/14, the proportion of Internal Audit Recommendations implemented on time remains extremely high;
- Robust strategic and business planning processes, with detailed financial budgets and forecasts and appropriate stress testing, regularly subjected to external validation;
- Formal recruitment, retention, induction, training and development policies for all staff;
- A sophisticated approach to treasury management and reporting (loan covenants, cash flows, future funding requirements etc) which is subject to external review each year;
- The Group has policies that address staff conduct, whistle blowing, money laundering, fraud, bribery and corruption;
- Registers for Fraud, Hospitality and Gifts that are maintained and which are available for review by the Audit and Assurance Committee.

The Board recognises its responsibility for the system of internal control and for reviewing its effectiveness. The Board cannot delegate ultimate responsibility for the system of internal control, but has delegated authority to the Audit and Assurance Committee to regularly review the effectiveness of that system.

To assist the Audit and Assurance Committee in the review process, it has received the Chief Executive's report regarding the effectiveness of the system of internal control for the Group and its subsidiaries, and the annual report of the internal auditor. The Audit and Assurance Committee has conducted its own review of the effectiveness of the systems currently in place, has reported its findings to the Board and has confirmed that all necessary actions have been taken to remedy any significant failings or weaknesses which may have been identified during the review.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

This framework of controls ensures that the Audit and Assurance Committee is informed of any situations that might lead to a request from the Committee for additional assurance work to be undertaken. The success of this approach was clearly demonstrated by the robust response to the failure to fully comply with the Code of Governance reported in the 2013 financial statements, and which led to the Group regaining its G1 Governance rating from the HCA in May 2014.

During 2013/14, this approach extended to issues identified in repairs service delivery, business systems strategy, health and safety compliance, and procurement of investment works, all of which were subjected to additional internal audit work and rectification actions put in place where required.

The Board receives regular updates from the Audit and Assurance Committee as well as the minutes of its meetings.

The Board is therefore able to confirm that the system of internal controls is ongoing and has been in place for the year to 31st March 2014 and up to the date of the approval of these financial statements. The Board also confirms that it is satisfied that there are ongoing processes in place to identify, evaluate, control and manage any significant risks faced by the organisation. These processes have been in place during the year under review, up to the date of the annual report and accounts and they are regularly reviewed by the Board.

The Board confirms that no weaknesses were found in the internal controls for the year ended 31st March 2014 which might otherwise have resulted in material losses, contingencies or uncertainties which require disclosure in the financial statements.

**Going concern**
After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. In particular, assurance is provided by the Group's latest business plan (approved April 2014) which demonstrates that the Group has funding facilities in place that will last for over four years and that it is fully able to service its debt facilities whilst continuing to comply with all its funders' covenants. Therefore the Board continues to adopt the going concern basis in the financial statements.

**Annual general meeting**
The annual general meeting will be held on 11th September 2014 at Southerngate, Manchester.

**External auditors**
Following an open and transparent procurement process in 2013, BDO LLP was appointed as the Group's External Auditors for a period of at least 3 years.

A resolution to re-appoint BDO LLP will be proposed at the AGM on 11th September 2014.

**Statement of compliance**
In preparing this Operating and Financial Review and Board report, the Board has followed the principles set out in the SORP 2010.

## OPERATING AND FINANCIAL REVIEW AND REPORT OF THE BOARD

## REPORT OF THE BOARD

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

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

Industrial and Provident Societies legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under the Industrial and Provident Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Group and Association for that period.

In preparing these financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP): Accounting by Registered Providers Update (2010) 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 company will continue in business.

The Board is responsible for ensuring arrangements are made for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Industrial and Provident Societies Acts 1965 to 2002, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Board members is aware:

- There is no relevant audit information of which the Association's auditors are unaware; and
- The Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditors are aware of that information.

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

The report of the Board was approved by the Board on 24 July 2014 and signed on its behalf by:

Phil Elvy
**Company Secretary**

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREAT PLACES HOUSING GROUP LIMITED

We have audited the financial statements of Great Places Housing Group Limited for the year ended 31 March 2014 which comprise the consolidated Group and Association income and expenditure accounts, the Group and Association's statement of total recognised surpluses and deficits, the Group and Association's reconciliation of movements in funds, the consolidated and association balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with 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 the auditor**
As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of financial statements and for being satisfied that they 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**
A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

**Opinion on financial statements**
In our opinion the financial statements:

- give a true and fair view of the state of the Group and Association's affairs as at 31 March 2014 and of the Group and Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Industrial and Provident Societies Acts 1965 to 2002, the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GREAT PLACES HOUSING GROUP LIMITED

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

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

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

BDO LLP
30th July 2014

BDO LLP
Statutory Auditor
Manchester
United Kingdom

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

**GREAT PLACES HOUSING GROUP LIMITED**
**Year ended 31 March 2014**

## CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

| | Note | 2014<br>£'000 | 2013 (restated)<br>£'000 |
|---|---|---|---|
| **Turnover: Group and share of joint venture** | | **85,866** | 79,946 |
| Less: Share of joint venture's turnover | | **(822)** | (73) |
| **Turnover:** | 3 | **85,044** | 79,873 |
| Operating costs | 3 | **(59,531)** | (56,947) |
| **Operating surplus** | 4 | **25,513** | 22,926 |
| | | | |
| Surplus on sale of fixed assets – housing properties | 5 | **2,773** | 685 |
| Share of operating profit of joint venture | | **52** | 26 |
| Interest receivable | 6 | **211** | 162 |
| Interest payable and similar charges | 7 | **(19,218)** | (16,182) |
| **Surplus on ordinary activities before taxation** | | **9,331** | 7,617 |
| Tax on surplus on ordinary activities | 9 | **(165)** | (188) |
| **Surplus for the financial year** | 23 | **9,166** | 7,429 |

All amounts relate to continuing activities.

The accompanying notes on pages 38 to 83 form part of these financial statements.

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

The financial statements were authorised for issue and approved by the Board of Directors on 24th July 2014.

Board member | Board member | Secretary

## ASSOCIATION INCOME AND EXPENDITURE ACCOUNT

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Turnover** | 3 | **14,750** | 13,016 |
| Operating costs | 3 | **(14,438)** | (12,785) |
| **Operating surplus** | 4 | **312** | 231 |
| Interest receivable and other income | 6 | **15,857** | 11,821 |
| Interest payable and similar charges | 7 | **(15,855)** | (11,821) |
| **Surplus on ordinary activities before taxation** | | **314** | 231 |
| Tax on surplus on ordinary activities | 9 | **(123)** | (59) |
| **Surplus for the financial year** | 23 | **191** | 172 |

All amounts relate to continuing activities.

The accompanying notes on pages 38 to 83 form part of these financial statements.

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

The financial statements were authorised for issue and approved by the Board of Directors on 24th July 2014.

Board member

Board member

Secretary

## STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Surplus for the financial year : Group | 9,114 | 7,403 | 191 | 172 |
| Surplus for the financial year : Joint venture | 52 | 26 | | |
| Actuarial gain/(loss) (note 33) | 84 | (136) | - | - |
| Utilisation of designated reserves | - | (7) | - | - |
| Total recognised surplus relating to the year | 9,250 | 7,286 | 191 | 172 |

## RECONCILIATION OF MOVEMENTS IN GROUP'S AND ASSOCIATION'S FUNDS

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Opening total funds | 56,742 | 49,456 | 619 | 447 |
| Total recognised surplus relating to the year | 9,250 | 7,286 | 191 | 172 |
| Closing total funds | 65,992 | 56,742 | 810 | 619 |

**GREAT PLACES HOUSING GROUP LIMITED**
**Year ended 31 March 2014**

## CONSOLIDATED BALANCE SHEET

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Tangible fixed assets** | | | |
| Housing properties at cost | 11 | 1,033,167 | 971,522 |
| Social housing grant | 11 | (517,810) | (506,860) |
| Depreciation and impairment | 11 | (73,011) | (66,168) |
| | | 442,346 | 398,494 |
| Other tangible fixed assets | 12 | 7,204 | 7,692 |
| | | 449,550 | 406,186 |
| **Fixed asset investments** | | | |
| Investments | 13 | 89 | 31 |
| Investment in associate | 13 | 37 | 59 |
| Homebuy investments | | 10,162 | 10,621 |
| Less: Social housing grant | | (10,162) | (10,621) |
| | | 126 | 90 |
| Investment in joint venture: | | | |
| Share of gross assets | | 394 | 719 |
| Share of gross liabilities | | (285) | (66) |
| | 13 | 109 | 653 |
| **Total fixed asset investments** | | 235 | 743 |
| **Total fixed assets** | | 449,785 | 406,929 |
| **Current assets** | | | |
| Properties for sale and work in progress | 14 | 18,568 | 14,664 |
| Debtors | 15 | 10,639 | 12,391 |
| Investments | 16 | 10,453 | 21,206 |
| Cash at bank and in hand | | 27,303 | 18,048 |
| | | 66,963 | 66,309 |
| **Creditors**: Amounts falling due within one year | 17 | (39,096) | (36,556) |
| **Net current assets** | | 27,867 | 29,753 |
| **Total assets less current liabilities** | | 477,652 | 436,682 |
| **Creditors:** | | | |
| Amounts falling due after more than one year | 18 | 411,380 | 379,618 |
| **Pension liability** | 34 | 280 | 322 |
| | | 411,660 | 379,940 |
| **Capital and reserves** | | | |
| Share capital (non-equity) | 22 | - | - |
| Designated reserve | 23 | 175 | 175 |
| Revenue reserves | 23 | 65,817 | 56,567 |
| **Consolidated funds** | | 65,992 | 56,742 |
| | | 477,652 | 436,682 |

The accompanying notes on pages 38 to 83 form part of these financial statements.

The financial statements were authorised for issue and approved by the Board on 24th July 2014 and signed on its behalf by:



Board member Board member Secretary

## ASSOCIATION BALANCE SHEET

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Tangible fixed assets** | | | |
| Other tangible fixed assets | 12 | **1,616** | 2,024 |
| **Fixed asset investments** | | | |
| Investments | 13 | **2** | 2 |
| Investment in associate | 13 | **63** | 63 |
| **Total fixed asset investments** | | **65** | 65 |
| **Total fixed assets** | | **1,681** | 2,089 |
| **Debtors:** Amounts falling due after one year | 15 | **355,548** | 322,677 |
| **Current assets** | | | |
| Debtors | 15 | **1,340** | 1,412 |
| Investments | 16 | **7,845** | 12,451 |
| Cash at bank and in hand | | **929** | 459 |
| | | **10,114** | 14,322 |
| **Creditors:** Amounts falling due within one year | 17 | **(10,985)** | (15,796) |
| **Net current liabilities** | | **(871)** | (1,474) |
| **Total assets less current liabilities** | | **356,358** | 323,292 |
| **Creditors:** | | | |
| Amounts falling due after more than one year | 18 | **355,548** | 322,673 |
| **Capital and reserves** | | | |
| Share capital | 22 | **-** | - |
| Revenue reserves | 23 | **810** | 619 |
| **Association's funds** | | **810** | 619 |
| | | **356,358** | 323,292 |

The accompanying notes on pages 38 to 83 form part of these financial statements.

The financial statements were authorised for issue and approved by the Board on 24th July 2014 and signed on its behalf by:

Board member | Board member | Secretary

**GREAT PLACES HOUSING GROUP LIMITED**
**Year ended 31 March 2014**

## CONSOLIDATED CASH FLOW STATEMENT

| | Note | 2014 £'000 | 2013 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | 30 | **43,838** | 40,955 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | **211** | 162 |
| Interest paid | | **(20,900)** | (13,656) |
| Loan issue costs and other fees incurred | | **(723)** | (1,611) |
| **Net cash outflow from returns on investments and servicing of finance** | | **(21,412)** | (15,105) |
| **Taxation paid** | | | |
| Corporation tax paid | | **(246)** | (49) |
| **Capital expenditure and financial investment** | | | |
| Purchase and construction of housing properties | | **(81,342)** | (72,517) |
| Social housing grant received | | **19,835** | 14,310 |
| Sale of housing properties (net) | | **8,048** | 6,443 |
| Investments – net cash received | 13 | **654** | - |
| Sale of other fixed assets | | **98** | - |
| Purchase of other fixed assets | | **(672)** | (1,093) |
| **Net cash outflow from capital expenditure and financial investment** | | **(53,379)** | (52,857) |
| **Management of liquid resources** | | | |
| Cash placed on fixed term deposit | | **(8,245)** | (41,964) |
| Cash withdrawn from fixed term deposit | | **18,998** | 31,164 |
| | | **10,753** | (10,800) |
| **Net cash outflow before financing** | | **(20,446)** | (37,856) |
| **Financing** | | | |
| Bank Loans received | | **9,993** | 27,632 |
| Bond Issue received | | **32,853** | 148,579 |
| Bank Loans repaid | | **(13,150)** | (126,466) |
| Property leases received | | **5** | - |
| Property leases repaid | | **-** | (118) |
| **Net cash inflow from financing** | | **29,701** | 49,627 |
| **Increase in cash** | 31 | **9,255** | 11,771 |

The accompanying notes on page 70 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Legal status

The Association is registered under the Industrial and Provident Societies Act 1965 and is a registered housing provider.

### 2 Accounting policies

Major accounting policies are detailed within the relevant note from note 3 onwards.

**Basis of accounting**

The financial statements of the Group and Association are prepared under the historical cost convention in accordance with UK Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012 and Industrial and Provident Societies Act 1965 to 2002.

**Basis of consolidation**

The Group accounts consolidate the accounts of the Association and all its subsidiaries at 31 March using acquisition accounting.

**Value Added Tax (VAT)**

The Group is VAT registered. However, excluding Terra Nova, a large proportion of its income, rents and service charges, is exempt for VAT purposes thus giving rise to a partial exemption calculation. An approved VAT shelter is in place for stock transferred from local authorities, VAT on works carried out under the VAT shelter is fully recoverable. The balance of VAT payable or recoverable at the year-end is included as a current liability or asset.

**Homebuy equity loans and related grants**

Under these arrangements the Group receives Social Housing Grant representing a maximum of 30% of the open market purchase price of a property in order to advance interest free loans of the same amount to a homebuyer. The buyer meets the balance of the purchase price from a combination of personal mortgage and savings. Loans advanced by the Group under these arrangements are disclosed in the investments section of the balance sheet.

In the event that the property is sold on, the Group recovers the equivalent loaned percentage value of the property at the time of the sale. The grant becomes recyclable when the loans are repaid up to the amount of the original grant and to the extent that the proceeds permit. The Group is able to retain any surplus proceeds less sale costs attributable to the equivalent loaned percentage share of the property. If there is a fall in the value of the property the shortfall in proceeds is offset against the recycled grant.

**Liquid resources**

Liquid resources are readily disposable current asset investments. They include some money market deposits, held for more than 24 hours that can only be withdrawn without penalty on maturity, or by giving notice of more than one working day.

## NOTES TO THE FINANCIAL STATEMENTS

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

**Policies**

**Turnover and revenue recognition**
Turnover comprises rental income net of voids receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year and revenue grants receivable in the year.

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting.

Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale.

Revenue grants are receivable when the conditions for receipt of agreed grant funding are met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

**Other grants**
Grants in respect of revenue expenditure are credited to the income and expenditure account when conditions are met for their recognition.

**Social housing grant**
Social housing grant received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

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

**Property managed by agents**
Where the Group carries 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 of the Group.

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates to the Group.

In both cases, where revenue grants are claimed by the Group, these are included as income in the income and expenditure account and expenditure to the extent that they are passed to the agent.

## NOTES TO THE FINANCIAL STATEMENTS

**3 Particulars of turnover, cost of sales, operating costs and operating surplus (continued)**
**Continuing activities**

| GROUP | Turnover | Cost of Sales | Operating Costs | Operating Surplus |
|---|---|---|---|---|
| | | **2014** | | |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Social housing lettings** | **68,590** | **-** | **(44,852)** | **23,738** |
| **Other social housing activities** | | | | |
| Supporting people | 3,602 | - | (4,982) | (1,380) |
| Properties owned but managed by other organisations | 1,152 | - | (843) | 309 |
| First tranche shared ownership sales | 4,079 | (3,284) | - | 795 |
| Homebuy agency income | 1,261 | - | (236) | 1,025 |
| Marketing income | 431 | - | (333) | 98 |
| Development activities | 3,095 | - | (2,540) | 555 |
| Other | 906 | - | (904) | 2 |
| | **14,526** | **(3,284)** | **(9,838)** | **1,404** |
| **Non-social housing activities** | | | | |
| Market and commercial rented | 584 | - | (335) | 249 |
| Developments for sale | 1,344 | (1,182) | (40) | 122 |
| | 1,928 | (1,182) | (375) | 371 |
| | **85,044** | **(4,466)** | **(55,065)** | **25,513** |

| GROUP | Turnover | Cost of Sales | Operating Costs | Operating Surplus |
|---|---|---|---|---|
| | | **2013** | | |
| | **(restated)** | | **(restated)** | **(restated)** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Social housing lettings** | **64,718** | **-** | **(41,912)** | **22,806** |
| **Other social housing activities** | | | | |
| Supporting people | 3,467 | - | (4,735) | (1,268) |
| Properties owned but managed by other organisations | 1,308 | - | (717) | 591 |
| First tranche shared ownership sales | 4,341 | (4,617) | - | (276) |
| Homebuy agency income | 879 | - | (189) | 690 |
| Marketing income | 377 | - | (323) | 54 |
| Development activities | 3,232 | - | (2,968) | 264 |
| Other | 919 | (32) | (1,058) | (171) |
| | **14,523** | **(4,649)** | **(9,990)** | **(116)** |
| **Non-social housing activities** | | | | |
| Market and commercial rented | 445 | - | (243) | 202 |
| Developments for sale | 187 | (148) | (5) | 34 |
| | 632 | (148) | (248) | 236 |
| | **79,873** | **(4,797)** | **(52,150)** | **22,926** |

Rental income from supported agency schemes was included in Other Income in the financial statements to March 2013. The directors consider it is more appropriate for this income to be included above within supported housing rental income and the management fees applicable to this income within management costs.

## NOTES TO THE FINANCIAL STATEMENTS

### 3 Particulars of turnover, cost of sales, operating costs and operating surplus (continued)
**Continuing activities**

| ASSOCIATION | 2014 | | | |
|---|---|---|---|---|
| | Turnover | Cost of Sales | Operating Costs | Operating Surplus |
| | £'000 | £'000 | £'000 | £'000 |
| Management and development services | 14,750 | - | (14,438) | 312 |
| | **14,750** | **-** | **(14,438)** | **312** |

| ASSOCIATION | 2013 | | | |
|---|---|---|---|---|
| | Turnover | Cost of Sales | Operating Costs | Operating Surplus |
| | £'000 | £'000 | £'000 | £'000 |
| Management and development services | 13,016 | - | (12,785) | 231 |
| | **13,016** | **-** | **(12,785)** | **231** |

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

**Particulars of income and expenditure from social housing lettings**

| GROUP | 2014 General needs housing | 2014 Supported housing and housing for older people | 2014 Key worker housing | 2014 Low cost home ownership | 2014 Total | 2013 Total (restated) |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Rent receivable net of identifiable service charges | 49,182 | 7,942 | 899 | 3,561 | 61,584 | 57,757 |
| Service income | 2,172 | 3,365 | (1) | 181 | 5,717 | 5,402 |
| Charges for support services | 3 | 372 | - | - | 375 | 682 |
| **Net rental income** | **51,357** | **11,679** | **898** | **3,742** | **67,676** | **63,841** |
| Other income | 355 | 519 | 40 | - | 914 | 877 |
| **Turnover from social housing lettings** | **51,712** | **12,198** | **938** | **3,742** | **68,590** | **64,718** |
| Management | 13,252 | 952 | 32 | 551 | 14,787 | 13,875 |
| Services | 2,639 | 3,051 | 409 | 276 | 6,375 | 5,901 |
| Routine maintenance | 8,170 | 987 | 86 | 169 | 9,412 | 9,293 |
| Planned maintenance | 504 | 160 | 5 | - | 669 | 770 |
| Major repairs expenditure | 3,737 | 389 | 80 | 1 | 4,207 | 3,756 |
| Bad debts | 491 | 158 | (12) | (6) | 631 | 490 |
| Property lease charges | 203 | 97 | - | - | 300 | 306 |
| Depreciation of housing properties | 6,258 | 818 | 177 | 424 | 7,677 | 6,869 |
| Depreciation of leased properties | 23 | - | - | - | 23 | 11 |
| Component disposal | 712 | 42 | - | - | 754 | 613 |
| Other costs | 16 | 1 | - | - | 17 | 28 |
| **Operating costs on social housing lettings** | 36,005 | 6,655 | 777 | 1,415 | 44,852 | 41,912 |
| **Operating surplus on social housing lettings** | **15,707** | **5,543** | **161** | **2,327** | **23,738** | **22,806** |
| **Void losses** | 656 | 534 | 186 | 67 | 1,443 | 1,283 |

Rental income from supported agency schemes was included in other Income in the financial statements to March 2013. The directors consider it is more appropriate for this income to be included above within supported housing rental income and the management fees applicable to this income within management costs.

## NOTES TO THE FINANCIAL STATEMENTS

### 4 Operating surplus

The operating surplus is arrived at after charging:

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Depreciation of housing properties | 9,205 | 7,003 | - | - |
| Depreciation charged on finance leases | 23 | 11 | - | - |
| Impairment of housing properties | - | - | - | - |
| Depreciation of other tangible fixed assets | 1,062 | 1,089 | 982 | 967 |
| Amounts paid under operating leases: | | | | |
| -Land and buildings | 250 | 253 | - | - |
| -Vehicles | 481 | 269 | 481 | 269 |
| -Photocopiers and printers | 26 | 31 | 26 | 31 |
| Auditors' remuneration (excluding VAT) | | | | |
| -for the audit of the financial statements (BDO) | 60 | - | 10 | - |
| -for the audit of the financial statements (GT) | - | 52 | - | 7 |
| -for other services relating to taxation (BDO) | 10 | - | 4 | - |
| -for other services relating to taxation (GT) | - | 6 | - | 2 |
| -for other services relating to funding (GT) | - | 50 | - | 50 |
| -for the service charge audits (GT) | - | 12 | - | 12 |

GT = Grant Thornton

### 5 Surplus on sale of fixed assets – housing properties

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Disposal proceeds (net of costs) | 10,472 | 7,822 | - | - |
| Carrying value of fixed assets | (5,073) | (5,106) | - | - |
| | 5,399 | 2,716 | - | - |
| Capital grant recycled (note 20) | (1,845) | (1,757) | - | - |
| Disposal proceeds fund (note 21) | (781) | (274) | - | - |
| | 2,773 | 685 | - | - |

### 6 Interest receivable and other income

**Policy**
Interest receivable is credited to the income and expenditure account in the year.

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Interest receivable and similar income | 211 | 162 | 2 | - |
| Loan interest recharged to Group companies | - | - | 15,855 | 11,821 |
| | 211 | 162 | 15,857 | 11,821 |

## NOTES TO THE FINANCIAL STATEMENTS

### 7 Interest payable and similar charges

**Policies**

**Interest payable**

Interest is capitalised on borrowings to finance developments up to the date of practical completion if it represents either:

a) interest on borrowings specifically financing the development programme after deduction of interest on social housing grant (SHG) in advance; or
b) interest on borrowings of the Group as a whole after deduction of interest on SHG in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to the income and expenditure account in the year.

**Leased assets**

The interest element of rental payments is charged to the income and expenditure account over the period of the agreement in proportion to the balance of capital repayments outstanding.

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Finance leases | 96 | 125 | - | - |
| Loans and bank overdrafts | 19,186 | 15,616 | 15,855 | 11,821 |
| Other finance costs including non utilisation fees, commitment fees and arrangement fees amortised or written off | 1,088 | 1,637 | - | - |
| | 20,370 | 17,378 | 15,855 | 11,821 |
| Interest payable capitalised on housing properties under construction | (1,152) | (1,196) | - | - |
| | 19,218 | 16,182 | 15,855 | 11,821 |

Capitalised interest was charged at rates of 0.50% (2013: 0.50%) receivable and 5.113% (2013: 4.877%) payable.

### 8 Gift Aid

A gift aid payment of £1,300,000 was made by Plumlife Homes Limited to Great Places Housing Association (GPHA) on 28 March 2014.

A gift aid payment of £200,000 was approved in March 2014 to be made by Terra Nova Developments to its charitable parent, GPHA and is reflected in the financial statements.

These are eliminated on consolidation.

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Tax on surplus on ordinary activities

**Policies**

**Taxation**

The Association does not have charitable status and is therefore liable to corporation tax. An estimate of the corporation tax liability due in respect of the taxable surplus for a financial period is charged in the Income and Expenditure Account of the period and that amount is carried as a creditor until the liability is agreed with HM Revenue and Customs and is paid. Once the actual liability is agreed, any under or over provisioning is charged in or written back through the Income and Expenditure Account. Gift aid payments are made to minimise any corporation tax liability. GPHA, a subsidiary of Great Places Housing Group Limited has been granted exemption from taxation under the provision of Section 505 of the Income and Corporation Taxes Act 1988 because of its charitable status.

**Deferred taxation**

The payment of taxation is deferred or accelerated because of timing differences between the treatment of certain items for accounting and taxation purposes. Except as noted below, full provision for deferred taxation is made under the liability method on all timing differences that have arisen, but not reversed by the balance sheet date.

In accordance with FRS 19, deferred tax is not provided for gains on the sale of non-monetary assets, if the taxable gain will probably be rolled over. Deferred tax is measured at the tax rates that are expected to apply in the periods when the timing differences are expected to reverse, based on tax rates and law enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Current tax** | | | | |
| UK corporation tax charge for year | 200 | 273 | 149 | 144 |
| Adjustments in respect of prior years | 14 | (8) | 23 | (8) |
| | 214 | 265 | 172 | 136 |
| **Deferred tax** | | | | |
| Net origination and reversal of timing differences | (49) | (78) | (49) | (78) |
| Adjustments in respect of prior years | - | - | - | - |
| Effect of tax rate change on opening balance | - | 1 | - | 1 |
| | (49) | (77) | (49) | (77) |
| | 165 | 188 | 123 | 59 |

## NOTES TO THE FINANCIAL STATEMENTS

### 9 Tax on surplus on ordinary activities (continued)

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| **Current tax reconciliations** | | | | |
| Surplus on ordinary activities | 9,331 | 7,617 | 314 | 231 |
| Less: exempt due to charitable status of subsidiary association | (8,775) | (6,822) | - | - |
| | 556 | 795 | 314 | 231 |
| Whereon corporation tax at the standard rate of 23% (2013: 24%) | 128 | 191 | 72 | 55 |
| **Effects of:** | | | | |
| Expenses not deductible for tax purposes (primarily property depreciation and development expenditure) | - | 7 | - | 7 |
| Income not taxable for tax purposes – fixed assets | (10) | (10) | - | - |
| Chargeable gains | 5 | 3 | - | - |
| Other short term timing differences | - | 5 | - | 5 |
| Adjustments to tax charge in respect of previous periods | 14 | (8) | 23 | (8) |
| Marginal relief | - | - | - | - |
| Utilisation of tax losses and other deductions | - | - | - | - |
| Capital allowances in excess of depreciation | 77 | 77 | 77 | 77 |
| Current tax charge | **229** | **265** | **172** | **136** |
| **Deferred tax** | | | | |
| At 1 April | 113 | 36 | 113 | 36 |
| Credit for year | 49 | 77 | 49 | 77 |
| At 31 March – asset | 162 | 113 | 162 | 113 |
| **Comprising** | | | | |
| Accelerated capital allowance | 147 | 103 | 147 | 103 |
| Short term timing difference | 15 | 10 | 15 | 10 |
| | 162 | 113 | 162 | 113 |

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Directors and members

The directors of the Association are the members of the Board including the chief executive and those officers who are directors and who report directly to the Board or to the chief executive.

| Executive Directors | Group | | Association | |
|---|---|---|---|---|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Emoluments of the Association's executive directors (including pension contributions, excluding contractual termination payments, performance bonus and pay in lieu of notice). | 697 | 647 | 697 | 647 |
| Of which: Amount paid to third parties | 30 | - | 30 | - |

The number of executive Directors who received emoluments (including pension contributions, contractual termination payments, performance bonus and pay in lieu of notice) in the following ranges was:

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 No. | 2013 No. | 2014 No. | 2013 No. |
| £20,001 to £30,000 | 1 | - | 1 | - |
| £80,001 to £90,000 | 1 | - | 1 | - |
| £110,001 to £120,000 | 1 | 4 | 1 | 4 |
| £120,001 to £130,000 | 1 | - | 1 | - |
| £150,001 to £160,000 | 1 | - | 1 | - |
| £160,001 to £170,000 | 1 | 1 | 1 | 1 |

The amounts shown above are in relation to the Group's executive directors who were paid solely in respect of the performance of their duties.

Emoluments of the highest paid executive, excluding pension contributions.

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 £'000 | 2013 £'000 | 2014 £'000 | 2013 £'000 |
| Wages and salaries | 92 | 160 | 92 | 160 |
| Contractual termination payment | 9 | 157 | 9 | 157 |
| Pay in lieu of notice | 60 | 88 | 60 | 88 |
| Performance bonus | - | 31 | - | 31 |
| Total | 161 | 436 | 161 | 436 |

The chief executive received emoluments totalling £139,000. The chief executive is an ordinary member of the Social Housing Pension Scheme. The scheme is a final salary scheme funded by contributions from the employer and employee. A contribution of £12,675 (2013: £12,854) was paid by the employer in addition to those made by the chief executive himself.

On 1 April 2010, the Social Housing Pension Scheme (SHPS) started to collect contributions in respect of historic pension deficits through a lump sum payment levied on the employer, rather than a percentage that could be directly attributed to individual SHPS members. As such the historic deficit pension contributions relating to the Executive Directors cannot be ascertained and are not included in the figures above.

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Directors and members (continued)

**Other staff**

The full time equivalent number of staff (excluding Executive Directors) whose remuneration is £60,000 or more (including pension contributions) is disclosed below:

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **No.** | **No.** | **No.** | **No.** |
| £60,001 to £70,000 | 7 | 7 | 4 | 5 |
| £70,001 to £80,000 | - | 1 | - | 1 |
| £80,001 to £90,000 | 1 | - | 1 | - |

**Non Executive Directors**

The fees and expenses paid by the Association during the year, to the non-executive Directors, its subsidiary Boards and its current and former Committees, are shown below.

### 10a. Boards and Committees

| Name | Date served (if not for whole period) | GPHG | GPHA | PLUMLIFE | CUBE | A&AC | AC | R&AC | RC | 2014 £'000 | 2013 £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Andrew Beeput | | ✓ | ✓ | ✓ | | ✓ | ✓ | | | 3 | 1 |
| Janet Clafton | | ✓ | ✓ | ✓ | | | | | | 3 | 1 |
| Tina Cook | To 8/7/2013 | ✓ | | | | | | | ✓ | - | 1 |
| Les Coop | To 19/9/2013 | | | ✓ | ✓ | | | | | 1 | 2 |
| David Copley | To 19/9/2013 | ✓ | | | | | | | | 2 | 1 |
| Tony Davison | From 19/9/2013 | ✓ | ✓ | ✓ | | | | ✓ | | 5 | - |
| Rosemary Farrar | From 25/7/2013 to 5/12/2013 | ✓ | ✓ | | | | | | | 2 | - |
| Malcolm Faulkner | To 16/12/2012 | ✓ | | | | | ✓ | | | - | 1 |
| Christine Goulden | | ✓ | ✓ | ✓ | | | | | | 3 | 1 |
| Michelle Gray | To 19/9/2013 | | | ✓ | ✓ | | | | | - | 1 |
| Jerry Green | From 19/9/2013 | ✓ | ✓ | ✓ | | ✓ | | ✓ | | 2 | 1 |
| Martin Hampar | To 27/9/2012 | | ✓ | | | | ✓ | | | - | 1 |
| Lars Hansen | To 8/7/2013 | ✓ | ✓ | | | | | | ✓ | 2 | 4 |
| Anne Harris | To 19/9/2013 | ✓ | ✓ | | | | | | | 2 | 1 |
| Roger Kirkwood | | ✓ | ✓ | ✓ | ✓[1] | ✓ | ✓ | | | 4 | 1 |
| Colin Maguire | To 19/9/2013 | | | ✓ | ✓ | | | | | - | 1 |
| Joanne Moon | To 19/9/2013 | | | ✓ | | | | | | - | 1 |
| Max Pilotti | To 19/9/2013 | | | ✓ | | | | | | - | 1 |
| Lee Rawlinson | To 19/9/2013 | | | ✓ | ✓ | | ✓ | | | - | 1 |
| Jenny Rayner | From 19/9/2013 | ✓ | ✓ | ✓ | | | | ✓ | | 3 | - |
| David Robinson | From 19/9/2013 | ✓ | ✓ | ✓ | ✓[2] | | | ✓ | | 2 | - |
| Richard Sear | From 19/9/2013 | ✓ | ✓ | ✓ | | ✓ | | | | 2 | - |
| Geoff Simpson | To 19/9/2013 | | | | | | ✓ | | | 1 | 1 |
| Tony Snape | | ✓ | ✓ | ✓ | | ✓ | ✓ | | ✓ | 4 | 1 |
| Thea Stein | From 19/9/2013 | ✓ | ✓ | ✓ | | | | ✓ | | 2 | - |
| Ted Stott | To 26/6/2013 | ✓ | ✓ | | | | | | ✓ | 3 | 4 |
| George Taylor | From 8/7/2013 to 7/11/2013 | ✓ | ✓ | ✓ | | | | | | 3 | - |
| Will Taylor | From 19/9/2013 | | | | ✓ | | | | | 1 | - |
| Gwyn Williams | To 19/9/2013 | | | ✓ | ✓ | | | | | - | 1 |
| | | | | | | | | | | **50** | **28** |

✓[1] R. Kirkwood retired from Cube Board 22/5/2014

✓[2] D. Robinson appointed to Cube Board 22/5/2014

**KEY** **A&AC** is the Audit and Assurance Committee, which was formed on 19th September 2013 and replaced the former Audit Committee (**AC**). **R&AC** is the Remuneration and Appraisal Committee, which was formed on 19th September 2013 and replaced the former Remuneration Committee (**RC**)

## NOTES TO THE FINANCIAL STATEMENTS

### 10 Directors and members (continued)

### 10b: Tenant representative Committees

| Name | Date served (if not for whole period) | TSC | CSV | 2014 £'000 | 2013 £'000 |
|---|---|---|---|---|---|
| Sonja Costello | From 22/11/2013 | | ✓ | - | - |
| Robin Gardner | | ✓ | ✓ | 1 | 1 |
| Christine Goulden | | ✓ | ✓ | - | - |
| June Kushner | From 8/6/2013 | ✓ | ✓ | - | - |
| Angela Lindsey | | ✓ | ✓ | 1 | 1 |
| Maureen McDermott | To 19/9/2013 | ✓ | | 1 | 1 |
| Robin Ogle | | ✓ | ✓ | 1 | 1 |
| Dr Sajad Qureshi | To 28/2/2013 | ✓ | | - | 1 |
| Brian Sedgwick | | ✓ | ✓ | 1 | 1 |
| Selvie Selvaretnam | | ✓ | ✓ | 1 | 1 |
| Geoff Simpson | To 19/9/2013 | ✓ | | - | - |
| Evelyn Uche | To 19/9/2013 | ✓ | | 1 | 1 |
| | | | | **7** | **8** |

KEY: **CSV** is the Customer Services Voice which was formed on 19th September 2013 and replaced the former Tenants Services Committee (**TSC).**

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Tangible fixed assets – housing properties

**Policies**

**Housing properties**

Housing properties are principally properties which are available for rent and are stated at cost less social housing and similar grant and depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes are capitalised. Works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed as a fixed asset and including in housing properties at cost, less any provisions needed for depreciation or impairment.

**Donated land**

Land donated by local authorities and others is added to cost at the market value of the land at the time of the donation and an amount equivalent to the increase in value between market value and cost is added to other grants. Where the donation is from a non-public source, the value of the donation is included as income.

**Depreciation of housing properties**

The Group identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

Where social housing grant (SHG) has been allocated to a component; the depreciable amount is arrived at on the basis of original cost, less the proportion of SHG and other grants attributable to the component, less residual value.

The Group depreciates the major components of its housing properties at the following annual rates:

| | |
|---|---|
| Structure | 1% - 2% |
| Roofs | 1.67% |
| Heating systems | 6.67% |
| Kitchens | 6.67% |
| Bathrooms | 4% |
| Windows and external doors | 4% |
| Lifts | 4% |
| Solar panels & photovoltaic panels | 4% |

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Tangible fixed assets – housing properties (continued)

**Policies (continued)**

**Depreciation of housing properties (continued)**
Freehold land is not depreciated.

Properties held under leases are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

**Social housing grant**
Social housing grant (SHG) is receivable from the Homes and Communities Agency (HCA) and is utilised to reduce the capital cost of housing properties, including land costs. It is allocated to the land and structure components of the associated asset in proportion to their cost and in line with SORP guidance. Grant receivable in respect of identifiable components is allocated to those components.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to the income and expenditure account. SHG is repayable unless formally abated and waived, although it can be recycled (see note 20). Upon disposal of the associated property, the Group is required to recycle these proceeds and utilise the funds within three years or in principle it will become repayable.

**Other grants**
Other grants are receivable from local authorities and other organisations. Capital grants are utilised to reduce the capital costs of housing properties, including land costs.

**Impairment**
Housing properties, including those with individual components, which are depreciated over a period in excess of 50 years, are subject to impairment reviews annually. Other assets such as keyworker properties, supported housing properties, landbank and sales schemes that have reached completion are reviewed to see if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of the net realisable value or the value in use to the Group. Any such write down is charged before arriving at operating surplus.

**Leased assets**
Assets held under finance leases are included in the balance sheet and depreciated in accordance with the Association’s normal accounting policies.

## NOTES TO THE FINANCIAL STATEMENTS

**11 Tangible fixed assets – housing properties (continued)**

| GROUP | Social housing properties held for letting | Non-social housing properties held for letting | Housing properties for letting under construction | Completed shared ownership housing properties | Shared ownership housing properties under construction | Total housing properties |
|---|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | | |
| At 1 April 2013 | 794,809 | 7,584 | 79,249 | 79,635 | 10,245 | 971,522 |
| Opening balance adjustment* | 11,351 | (2,074) | (10,984) | 8,808 | (7,101) | - |
| Additions | 8,639 | 2,987 | 57,316 | 291 | 6,614 | 75,847 |
| Components capitalised | 8,249 | 482 | - | (603) | - | 8,128 |
| Movements in current assets | - | - | - | (8,198) | (2,640) | (10,838) |
| Interest capitalised | - | - | 922 | - | 230 | 1,152 |
| Schemes completed | 59,710 | - | (59,710) | 3,118 | (3,118) | - |
| Disposals | (9,297) | 13 | - | (1,577) | - | (10,861) |
| Component disposals | (1,780) | (3) | - | - | - | (1,783) |
| Reclassification | (5,033) | 5,033 | - | - | - | - |
| At 31 March 2014 | 866,648 | 14,022 | 66,793 | 81,474 | 4,230 | 1,033,167 |
| **Social housing grant** | | | | | | |
| At 1 April 2013 | 434,775 | 1,237 | 31,294 | 38,582 | 972 | 506,860 |
| Opening balance adjustment* | 4,126 | (840) | (4,652) | 1,553 | (187) | - |
| Additions | 1,639 | - | 14,935 | 18 | 38 | 16,630 |
| Schemes completed | 18,978 | - | (18,978) | 213 | (213) | - |
| Movements in current assets | - | - | - | (611) | (85) | (696) |
| Disposals | (4,323) | - | - | (661) | - | (4,984) |
| At 31 March 2014 | 455,195 | 397 | 22,599 | 39,094 | 525 | 517,810 |
| **Depreciation and impairment** | | | | | | |
| At 1 April 2013 | 61,684 | 842 | - | 3,642 | - | 66,168 |
| Opening balance adjustment* | (177) | (132) | - | 309 | - | - |
| Charged in year | 6,014 | 2,790 | - | 424 | - | 9,228 |
| Component disposal | (1,026) | (2) | - | - | - | (1,028) |
| Released on disposal | (1,273) | - | - | (84) | - | (1,357) |
| Reclassification | (500) | 500 | - | - | - | - |
| At 31 March 2014 | 64,722 | 3,998 | - | 4,291 | - | 73,011 |
| **Net book value** | | | | | | |
| **At 31 March 2014** | **346,731** | **9,627** | **44,194** | **38,089** | **3,705** | **442,346** |
| **At 31 March 2013** | **298,350** | **5,505** | **47,955** | **37,411** | **9,273** | **398,494** |

* The opening balance adjustment to housing properties in the note above is to correct historical differences in the financial statements to the categorisation of housing properties cost, grant and depreciation in line with the accounting records.

## NOTES TO THE FINANCIAL STATEMENTS

### 11 Tangible fixed assets – housing properties (continued)

**GROUP**

| **Expenditure to works on existing properties** | **2014** | **2013** |
|---|---|---|
| | **£'000** | **£'000** |
| Amounts capitalised | 8,128 | 8,736 |
| Amounts charged to income and expenditure account | 4,207 | 3,756 |
| | 12,335 | 12,492 |

| **Social housing grant** | **2014** | **2013** |
|---|---|---|
| | **£'000** | **£'000** |
| Total accumulated social housing grant received or receivable at 31 March: | | |
| Capital grant | 517,810 | 506,860 |
| Revenue grant | 45,670 | 39,990 |
| | 563,480 | 546,850 |

| **Housing properties book value, net of depreciation and grants** | **2014** | **2013** |
|---|---|---|
| | **£'000** | **£'000** |
| Freehold land and buildings | 382,105 | 359,006 |
| Long leasehold land and buildings | 60,241 | 39,488 |
| | 442,346 | 398,494 |

The net book value of housing properties assets includes £977,000 (2013: £477,000) in respect of properties held under finance leases. Depreciation charged in the year on these assets amounted to £23,000 (2013: £11,000).

**Impairment**
An impairment charge of £nil (2013: £nil) was made in the year.

**ASSOCIATION**
The association has no housing property assets.

## NOTES TO THE FINANCIAL STATEMENTS

### 12 Tangible fixed assets – other

**Policy**

**Other tangible fixed assets**
Other fixed assets are initially recognised at cost. Depreciation is provided on a straight line basis on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

| | |
|---|---|
| Freehold and leasehold office property | 1.67% - 2% |
| Office equipment, fixtures and fittings | 10 - 25% |
| Fixtures and fittings | 33.33% |
| Computer and similar equipment | 25% - 33.33% |
| Motor vehicles | 25% |

| GROUP | Freehold offices | Furniture, fixtures & fittings | Computers | Motor Vehicles | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Cost** | | | | | |
| At 1 April 2013 | 6,775 | 68 | 3,771 | 56 | 10,670 |
| Additions | - | - | 625 | 47 | 672 |
| Disposals | - | - | (1,017) | (36) | (1,053) |
| **At 31 March 2014** | 6,775 | 68 | 3,379 | 67 | 10,289 |
| **Depreciation and Impairment** | | | | | |
| At 1 April 2013 | 1,123 | 52 | 1,748 | 55 | 2,978 |
| Charged in year | 66 | 14 | 977 | 5 | 1,062 |
| Released on disposal | - | - | (920) | (35) | (955) |
| **At 31 March 2014** | 1,189 | 66 | 1,805 | 25 | 3,085 |
| **Net book value** | | | | | |
| **At 31 March 2014** | 5,586 | 2 | 1,574 | 42 | 7,204 |
| **At 31 March 2013** | 5,652 | 16 | 2,023 | 1 | 7,692 |

## NOTES TO THE FINANCIAL STATEMENTS

### 12 Tangible fixed assets – other (continued)

| ASSOCIATION | Computers | Motor Vehicles | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| **Cost** | | | |
| At 1 April 2013 | 3,771 | 36 | 3,807 |
| Additions | 625 | 47 | 672 |
| Disposals | (1,017) | (36) | (1,053) |
| **At 31 March 2014** | **3,379** | **47** | **3,426** |
| **Depreciation** | | | |
| At 1 April 2013 | 1,748 | 35 | 1,783 |
| Charge for the year | 977 | 5 | 982 |
| Released on disposal | (920) | (35) | (955) |
| **At 31 March 2014** | **1,805** | **5** | **1,810** |
| **Net book value** | | | |
| **At 31 March 2014** | **1,574** | **42** | **1,616** |
| **At 31 March 2013** | **2,023** | **1** | **2,024** |

### 13 Fixed asset investment

**Policies**

**Fixed asset Investment (not classed as a joint venture or associate)**
Great Places Housing Group Limited owns 5% of the share capital of Inspiral Oldham Holding Company Limited. This is held at cost less any provision for impairment.

**Joint venture accounting**
Great Places Housing Group Limited has an investment in a joint venture; Inspiral Developments Oldham LLP, which is 50% owned by Cube Great Places Limited. On consolidation this has been accounted for under the Gross Equity Method of Accounting for Joint Ventures in accordance with FRS 9.

Great Places Housing Association also has an investment in a joint venture, Reviva Urban Renewal Limited. On consolidation this has also been accounted for under the Gross Equity Method of Accounting for Joint Ventures in accordance with FRS 9.

**Associate accounting**
Great Places Housing Group has a 10% investment in an associate, Keepmoat Great Places Limited, which in turns owns 50% of Sheffield Housing Company Limited. On consolidation this has been accounted for under the Equity Method of Accounting for Associates in accordance with FRS 9.

## NOTES TO THE FINANCIAL STATEMENTS

### 13 Fixed asset investment (continued)

| **Fixed asset investments Group (restated)** | **Joint Venture Inspiral Developments Oldham LLP** | **Joint Venture Reviva Urban Renewal Limited** | **Associated undertaking Keepmoat Great Places** | **Other Investments** |
|---|---|---|---|---|
| | **£'000s** | **£'000s** | **£'000s** | **£'000s** |
| **Cost** | | | | |
| At 1st April 2013 | 643 | 10 | 59 | 31 |
| Additions | | | | 58 |
| Repayments in the year | (596) | | | |
| At 31st March 2014 | 47 | 10 | 59 | 89 |
| **Share of retained profits** | | | | |
| At 1st April 2013 | - | - | - | - |
| Profit for the year | 52 | - | (22) | - |
| At 31st March 2014 | 52 | - | (22) | - |
| **Net Book Value** | | | | |
| **At 31st March 2014** | **99** | **10** | **37** | **89** |
| **At 31st March 2013** | **643** | **10** | **59** | **31** |

The Group has the following interests in Joint ventures

| | **2014** | **2013** |
|---|---|---|
| | **£'000s** | **£'000s** |
| Share of current assets | 384 | 658 |
| Share of liabilities – due within one year | (285) | (15) |
| Share of liabilities – due after more than one year | - | - |
| **Share of net assets** | **99** | **643** |

Other investments comprise: Shared equity loans £57,000 (2013: £29,000); Help to Buy Investment £30,000 (2013: £nil); Investment in Inspiral Oldham Holding Company Ltd £2,000 (2013: £2,000).

Inspiral Oldham Holding Company Limited ("Inspiral") is a company in which the Group has a 5% interest. The other party to the venture is John Laing Investments Limited. Inspiral fully owns Inspiral Oldham Limited which is the Special Purpose Vehicle that operates the Gateways to Oldham PFI project.

Keepmoat Great Places Limited ("KGP") is a company in which the Group has a 10% interest and exercises significant influence over the board of KGP having 2 out of the 5 board members of KGP. The other party to the venture is Keepmoat Limited. KGP in turn has a 50% share of Sheffield Housing Company Limited.

Reviva Urban Renewal Limited ("Reviva") is a company in which the Group has a one third interest, through its subsidiary GPHA. The other parties to the joint venture are Mosscare Housing Limited and Irwell Valley Housing Association. Reviva made a profit of £nil for the period (2013: £nil), the Group's share of which is £nil (2013: £nil). Reviva declared a gift aid payment of £nil (2013: £78,356) in the year.

## NOTES TO THE FINANCIAL STATEMENTS

### 13 Fixed asset investment (continued)

Inspiral Developments Oldham LLP (IDO) is a company which the Group through Cube Great Places Limited has a 50% interest. The other party to the venture is Pinnacle Regeneration Limited. This was included in debtors in the year to March 2013, however the directors consider that it is more appropriate for this to be shown as a fixed asset investment within joint ventures so the prior year figures have been restated to take account of this change in presentation.

In the year ended 31st March 2014 IDO made a profit of £105,000 before tax and £80,000 after tax and has capital and reserves of £47,000.

| Name | Country of incorporation or registration | Proportion of voting rights and ordinary share capital held | Nature of Business |
|---|---|---|---|
| **Joint Ventures** | | | |
| Reviva Urban Renewal Limited | England | 33.33% | Regeneration |
| Inspiral Developments Oldham LLP | England | 50.00% | Construction of housing properties for sale |
| **Associated Undertakings** | | | |
| Keepmoat Great Places Limited | England | 10.00% | Construction of housing properties for sale and rent |

| **Fixed asset investments Association** | **Associated undertaking Keepmoat Great Places £'000s** | **Other Investments £'000s** |
|---|---|---|
| **Cost** | | |
| At 1st April 2013 | 63 | 2 |
| Additions | - | - |
| Repayments in the year | - | - |
| At 31st March 2014 | 63 | 2 |
| **Share of retained profits** | | |
| At 1st April 2013 | - | - |
| Profit for the year | - | - |
| At 31st March 2014 | - | - |
| **Net Book Value** | | |
| **At 31st March 2014** | **63** | **2** |
| **At 31st March 2013** | **63** | **2** |

## NOTES TO THE FINANCIAL STATEMENTS

### 14 Properties for sale and work in progress

**Policy**

**Properties for sale**
Shared ownership first tranche sales, completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Shared ownership properties: | | | | |
| - completed | 14,807 | 7,780 | - | - |
| - under construction | 2,420 | 2,829 | - | - |
| Other properties for sale: | | | | |
| - completed | 80 | 106 | - | - |
| Work in progress | 1,261 | 3,949 | - | - |
| | 18,568 | 14,664 | - | - |

The figures above include £230,354 (2013: £304,189) of capitalised interest.

### 15 Debtors

**Policy**

**Social Housing Grant (SHG)**
SHG due from the Home and Communities Agency is included as a current asset.

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Due within one year** | | **(restated)** | | |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Rent and service charges receivable | 4,265 | 5,060 | - | - |
| Less: | | | | |
| Provision for bad and doubtful debts | (2,365) | (2,842) | - | - |
| | 1,900 | 2,218 | - | - |
| Due from subsidiary undertakings | - | - | 631 | 665 |
| Trade debtors | 463 | 406 | 69 | 75 |
| Social housing grant receivable | 2,106 | 4,748 | - | - |
| Others debtors | 5,152 | 4,171 | 318 | 424 |
| Deferred tax | 162 | 113 | 162 | 113 |
| Prepayments and accrued income | 856 | 731 | 160 | 135 |
| | 10,639 | 12,387 | 1,340 | 1,412 |

## 15 Debtors (continued)

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **Due after more than one year** | | (restated) | | |
| | £'000 | £'000 | £'000 | £'000 |
| Due from subsidiary undertakings | - | - | 355,548 | 322,673 |
| Others debtors | - | 4 | - | 4 |
| | - | 4 | 355,548 | 322,677 |
| **Total debtors** | 10,639 | 12,391 | 356,840 | 324,089 |

The Association's debt due after more than one year represents amounts due from subsidiary undertakings of £355,548k (2013: £322,673k). This is the on-lent Group loan facility which is included as debt falling due after more than one year (note 18) within the consolidated financial statements.

## 16 Current asset investments

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Other investments | 10,453 | 21,206 | 7,845 | 12,451 |

These are monies held by counterparties as collateral for loans or financial instruments and are held separately to cash at bank.

## 17 Creditors: amounts falling due within one year

**Policy**

**Social housing grant (SHG)**
SHG received in advance from the Homes and Communities Agency is included as a current liability.

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Debt, net of arrangement fees (note 19a) | 1,458 | 1,586 | - | - |
| Obligations under finance leases (note 19b) | 88 | - | - | - |
| Trade creditors | 1,964 | 1,629 | 292 | 156 |
| Rent and service charges received in advance | 2,066 | 2,100 | - | - |
| SHG received in advance | 591 | 204 | - | - |
| Amounts owed to group undertakings | - | - | 3,599 | 8,686 |
| Recycled capital grant fund (note 20) | 1,749 | 1,505 | - | - |
| Disposal proceeds fund (note 21) | 276 | 266 | - | - |
| Corporation tax | 192 | 273 | 149 | 144 |
| Other taxation and social security | 375 | 476 | 202 | 291 |
| Leaseholder sinking funds | 5,735 | 4,869 | - | - |
| Other creditors | 12,408 | 11,862 | 5,920 | 5,001 |
| Accruals and deferred income | 12,194 | 11,786 | 823 | 1,518 |
| | 39,096 | 36,556 | 10,985 | 15,796 |

Cash balances totalling £5,735,000 (2013: £4,869,000) are held in trust for leaseholders.

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

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| Debt, net of arrangement fees (note 19a) | 405,705 | 376,417 | 355,548 | 322,673 |
| Obligations under finance leases (note 19b) | 3,000 | 1,120 | - | - |
| Recycled capital grant fund (note 20) | 1,862 | 1,772 | - | - |
| Disposal proceeds fund (note 21) | 784 | 276 | - | - |
| Other creditors | 29 | 33 | - | - |
| | 411,380 | 379,618 | 355,548 | 322,673 |

## 19 Debt analysis

### Policies

**Loan issue costs**
The cost of raising loan finance is initially capitalised and offset against the loan principal and is amortised to the income and expenditure account on a straight line basis over the term of the loan.

**Discounts and premium on financial assets**
Any discount or premium realised on the issue of a bond or similar financial asset is capitalised and offset or added to the bond principal, and is then amortised to the income and expenditure account on a straight line basis over the term of the asset.

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| **a) Loans are repayable as follows:** | £'000 | £'000 | £'000 | £'000 |
| In one year or less or on demand | 1,672 | 1,796 | - | - |
| In more than one year, but not more than two years | 1,737 | 1,777 | - | - |
| In more than two years, but not more than five years | 13,864 | 8,151 | 6,801 | 896 |
| In more than five years | 396,684 | 372,537 | 348,747 | 321,777 |
| | 413,957 | 384,261 | 355,548 | 322,673 |
| Less: Loan arrangement fees | (6,794) | (6,258) | - | - |
| | 407,163 | 378,003 | 355,548 | 322,673 |

| | Group | | Association | |
|---|---|---|---|---|
| **Bond issue premium and discount** | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| November 2012 bond issue proceeds | 150,000 | 150,000 | 150,000 | 150,000 |
| Discount on November 2012 issue | (1,422) | (1,422) | (1,422) | (1,422) |
| December 2013 bond issue proceeds | 31,780 | - | 31,780 | - |
| Premium on December 2013 issue | 731 | - | 731 | - |
| | 181,089 | 148,578 | 181,089 | 148,578 |

Fresh PLC (formerly Orchardbrook), building society, bank and debenture loans are secured by fixed charges over individual properties.

| **b) Obligations under finance leases:** | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| In one year or less or on demand | 88 | - | - | - |
| In more than one year, but not more than two years | 91 | - | - | - |
| In more than two years, but not more than five years | 296 | 10 | - | - |
| In more than five years | 2,613 | 1,110 | - | - |
| | 3,088 | 1,120 | - | - |

## NOTES TO THE FINANCIAL STATEMENTS

### 19 Debt analysis (continued)

**c) Debenture stocks:**

Included in the loan balances above are the following balances:

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| THFC (Indexed 2) Ltd. - | | | | |
| 5.5% Index- linked stock, 2024 | | | | |
| Balance as at 31 March | 543 | 560 | - | - |
| THFC Ltd - | | | | |
| 11.5% Debenture stock, 2016 | | | | |
| Balance as at 31 March | 1,500 | 1,500 | - | - |
| 8.625% Debenture stock, 2023 | | | | |
| Balance as at 31 March | 750 | 750 | - | - |

The Debenture loans noted below are repayable by single payments as follows:

| Lender | Stock | Repayment date |
|---|---|---|
| THFC Ltd | 11.5% Debenture, 2016 | 27 October 2016 |
| THFC Ltd | 8.625% Debenture, 2023 | 13 October 2023 |
| THFC Ltd | 5.5% Index linked, 2024 | 7 December 2024 |

In December 2007, Great Places Housing Group completed a refinancing exercise. As a result, several housing loans held by its subsidiary undertakings were repaid and refinanced through new Group facilities. These facilities are loans to GPHG and then on-lent to its subsidiary GPHA under a guarantee structure. As such these loans are presented in GPHA as an intercompany loan.

In December 2007, GPHG entered into a number of swaps, the details of which are:

- Santander for a period of 25 years to 18 December 2032, the loan principal subject to the swap at 31 March 2014 is £10 million at a rate of 4.965%;
- Royal Bank of Scotland plc for a period of 30 years to 19th December 2037 the loan principal subject to the swap at 31 March 2014 is £20 million at a rate of 4.92%;
- Lloyds Banking Group for a period of 25 years to 20th December 2032, the loan principal subject to the swap at 31 March 2014 is £15 million at a rate of 4.945%;
- Barclays Bank plc for a period of 40 years to 1 October 2047, the loan principal subject to the swap at 31 March 2014 is £26 million at a rate of 4.82%.

In April 2009, GPHG entered into the following swaps, the details which are:

- Lloyds Banking Group for a period of 20 years to April 2029, the value of the swap at 31 March 2014 is £16 million at a rate of 4.56%.

## NOTES TO THE FINANCIAL STATEMENTS

### 19 Debt analysis (continued)

### c) Debenture stocks (continued):

In October 2009, GPHG entered into a number of swaps, the details of which are:

- Royal Bank of Scotland plc for a period of 15 years to November 2024, the loan principal subject to the swap at 31 March 2014 is £11 million at a rate of 4.28%;
- Barclays Bank plc for a period of 20 years to October 2029, the loan principal subject to the swap at 31 March 2014 is £5 million at a rate of 4.28%;
- Barclays Bank plc for a period of 25 years to October 2034, the loan principal subject to the swap at 31 March 2014 is £10 million at a rate of 4.22%;
- Barclays Bank plc for a period of 22 years to October 2031, the loan principal subject to the swap at 31 March 2014 is £10 million at a rate of 4.26%;
- Santander for a period of 26 years to October 2035, the loan principal subject to the swap at 31 March 2014 is £5 million at a rate of 4.195%;
- Santander for a period of 17 years to October 2026, the loan principal subject to the swap at 31 March 2014 is £5 million at a rate of 4.27%.

In October 2011, GPHG entered into the following swap:

- Credit Suisse International for a period of 8 years to October 2019, the loan principal subject to the swap at 31 March 2014 is £20m at a rate of 2.2975%.

On 22nd October 2012, Great Places issued a bond for £200m. £150m was on lent to Great Places Housing Association and £50m was retained. The bond was issued as a fixed rate of 4.81% for a term of 30 years. The bond was issued on the Professional Securities Market of the London Stock Exchange.

On 5th December 2013, Great Places released part of the £50m retained bond. The release resulted in the issue of £31.78m of bonds at a spread of 1.04% over the gilt yield to provide a fixed rate funding at an all in cost of 4.574%.

## NOTES TO THE FINANCIAL STATEMENTS

### 20 Recycled capital grant fund

**Policy**

**Social housing grant (SHG)**

SHG is subordinated to the repayment of loans by agreement with the HCA. SHG released on sale of a property may be repayable, but is normally available to be recycled and is credited to a Recycled Capital Grant Fund and included in the balance sheet in creditors.

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April | 3,277 | 2,984 | - | - |
| Grants recycled | 1,845 | 1,757 | - | - |
| Interest accrued | 18 | 16 | - | - |
| Development of properties | (1,529) | (1,480) | - | - |
| At 31 March | 3,611 | 3,277 | - | - |

### 21 Disposal proceeds fund

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April | 542 | 757 | - | - |
| Net sales proceeds recycled | 781 | 274 | - | - |
| Interest accrued | 3 | 2 | - | - |
| Development of properties | (266) | (491) | - | - |
| At 31 March | 1,060 | 542 | - | - |

### 22 Non-equity share capital

| | 2014 | 2013 |
|---|---|---|
| | £ | £ |
| **Shares of £1 each issued and fully paid** | | |
| At 1 April | 11 | 12 |
| Shares issued during the year | 6 | - |
| Shares surrendered during the year | (6) | (1) |
| At 31 March | 11 | 11 |

The shares provide members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

Shares in the Group issued to members are not transferable. Upon a shareholder ceasing to be a member, his/her share is forfeited and the value is credited to the revenue reserve.

## NOTES TO THE FINANCIAL STATEMENTS

### 23 Reserves

**Policy**

**Designated reserves**
The Association designates those reserves which have been set aside for uses which, in the judgement of the Directors, prevent them from being regarded as part of the free reserves of the association.

The Group has a reserve that is designated for use in the support, training and development of apprentice maintenance employees.

| Group | Revenue Reserves £'000 | Designated Reserves £'000 | Total Reserves £'000 |
|---|---|---|---|
| At 1 April 2013 | 56,567 | 175 | 56,742 |
| Surplus for the year | 9,166 | - | 9,166 |
| Actuarial surplus on pension scheme | 84 | - | 84 |
| Transfer in year | - | - | - |
| At 31 March 2014 | 65,817 | 175 | 65,992 |

| Association | Revenue Reserves £'000 | Total Reserves £'000 |
|---|---|---|
| At 1 April 2013 | 619 | 619 |
| Surplus for the year | 191 | 191 |
| At 31 March 2014 | 810 | 810 |

### 24 Financial commitments

| | | Group | | Association | |
|---|---|---|---|---|---|
| a) | **Capital expenditure commitments were as follows:** | **2014 £'000** | **2013 £'000** | **2014 £'000** | **2013 £'000** |
| | Expenditure contracted for but not provided in the accounts | 61,490 | 52,105 | - | - |
| | Expenditure authorised by the Board, but not contracted | 124,334 | 78,457 | - | - |
| | | 185,824 | 130,562 | - | - |

These commitments will be funded through a combination of existing loan facilities, grant, first tranche sales and cash generated from operating activities.

## NOTES TO THE FINANCIAL STATEMENTS

### 24 Financial commitments (continued)

**b) Operating leases:**

The payments which the Group and Association is committed to make under operating leases for vehicles and printers/photocopiers are as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| **Other:** | **£'000** | **£'000** | **£'000** | **£'000** |
| Within one year | 85 | 25 | 85 | 25 |
| Two to five years | 346 | 4 | 346 | 4 |
| | 431 | 29 | 431 | 29 |

### 25 Group structure

Great Places Housing Group Limited (the "Association") is the parent entity and controlling party of a Group with the following subsidiaries:

Plumlife Homes Limited
Great Places Housing Association ('GPHA')
Cube Great Places Limited (a direct subsidiary of GPHA)
Terra Nova Developments Limited (a direct subsidiary of GPHA)

GPHA is registered under the Industrial and Provident Societies Act 1965 and is a registered charitable social landlord.

Plumlife Homes Limited is registered under the Industrial and Provident Societies Act 1965 and is a registered non-charitable social landlord.

The undernoted subsidiaries are registered under the Companies Act 2006, are registered in England and are limited by shares:

| | |
|---|---|
| Terra Nova Developments Limited | Percentage held or controlled - 100% |
| Cube Great Places Limited | Percentage held or controlled - 100% |

Of the subsidiaries, Great Places Housing Association, Cube Great Places Limited, Plumlife Homes Limited and Terra Nova Developments Limited traded during the year.

The Group has an interest in several Joint Venture companies and one Associate as detailed in note 13.

### 26 Contingent liabilities and cross guarantees

Following the refinancing exercise in December 2007 by Great Places Housing Group Limited ('GPHG'), cross guarantees are in place with Great Places Housing Association ('GPHA'). These facilities are loans to GPHG and then on-lent to GPHA under a guarantee structure; ie the loans are secured against the assets of both the Association and those of GPHA.

As disclosed in note 19a, £355.548M of the Group's loans are on lent to GPHA under this structure.

## NOTES TO THE FINANCIAL STATEMENTS

### 27 Related party transactions

The Group has taken advantage of the exemption available under Financial Reporting Standard 8 not to disclose transactions with wholly owned subsidiary undertakings.

**Joint venture and associated companies**
The following transactions took place between the Group and its Joint Venture and associated companies during the year

| | 2014 | 2013 |
|---|---|---|
| | £'000 | £'000 |
| Net loan movements: advances/(repayments) | (597) | 573 |

The following receivable balances relating to Joint Ventures and associated companies were included in the consolidated balance sheet:

| | 2014 | 2013 |
|---|---|---|
| | £'000 | £'000 |
| Loans | 110 | 707 |
| Trading balances | 96 | 63 |
| | 206 | 770 |

The Great Places Housing Group (GPHG) Board has one tenant Board member and one resident leaseholder. Their tenancies are on normal commercial terms and they cannot use their position to their advantage.

**Transactions with related entities**
The Association provides management services, other services and loans to its subsidiaries. The Association also receives charges from its subsidiaries. The quantum and basis of those charges is set out below:

| **Payable to association from subsidiaries** | **Management charges** | | **Other charges** | | **Interest charges** | |
|---|---|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| **Non-regulated entities** | | | | | | |
| Cube Great Places Limited | 30 | - | - | - | 309 | 97 |
| Terra Nova Developments Limited | 30 | 20 | - | - | - | - |
| **Regulated entities** | | | | | | |
| Great Places Housing Association | 5,710 | 5,416 | 1,213 | 1,365 | - | - |
| Plumlife Homes Limited | 326 | 223 | 583 | 468 | - | - |
| | **6,096** | **5,659** | **1,796** | **1,833** | **309** | **97** |

## NOTES TO THE FINANCIAL STATEMENTS

### 27 Related party transactions (continued)

**Transactions with related entities (continued)**

**Intra Group management fees**

Intra-group management fees are receivable by the association from subsidiaries to cover the running costs the association incurs on behalf of managing its subsidiaries and providing services. The Management fee is calculated on a service by service basis using varying methods of allocation. The costs are allocated as follows:

| Service provided | Basis of allocation |
| --- | --- |
| Human resources, payroll, training | Staff numbers |
| Information and Communication technology | ICT users |
| Management accounting | Weighted average units and staff numbers |
| Treasury services | Net debt |
| Purchase ledger , procurement | Operating Costs |
| Communications and marketing | Weighted average units and staff numbers |
| Executive | Weighted average units and staff numbers |

**Other intra-group charges**

Other intra-group charges are payable to the association from subsidiaries and relate to staff recharges.

In March 2014 Terra Nova declared a gift aid payment to GPHA of £200,000 (2013: £150,000).

**Intra-group interest charges**

Intra-group interest is charged by the association to its subsidiaries at an agreed commercial rate. At present the only such arrangement is in respect of a loan facility to a maximum of £25M provided by GPHA to Cube Great Places Limited approved by the Board of GPHA, Cube and GPHG in December 2013. The loan is advanced in instalments to meet approved expenditure on Development for sale and Market rent projects. Loan repayments are made as soon as sales receipts are received.

| | Opening Balance £'000s | Movement £000's | Closing Balance £'000s |
| --- | --- | --- | --- |
| GPHA loan to Cube Great Places | 3,725 | (2,183) | 1,552 |

**Transactions with non-regulated entities**

During the year GPHG had intra-group transactions with its third tier subsidiary Terra Nova Developments Limited (Terra Nova), a non-regulated entity, of £1,559,323 (2013: £1,307,595) relating to housing property design and build services.

During the year GPHA had intra-group transactions with its subsidiary Terra Nova of £35,721,000 (2013: £25,515,000) relating to housing property design and build services.

During the year Plumlife Homes Limited had intra-group transactions with Terra Nova of £12,000 (2013: £81,000) relating to marketing services.

## NOTES TO THE FINANCIAL STATEMENTS

### 27 Related party transactions (continued)

**Transactions with non-regulated entities (continued)**

**Joint Ventures and associated companies**
Cube Great Places Limited has paid £3,484 (2013: £509,730) to its joint venture Inspiral Developments Oldham LLP, a non-regulated entity, during the year and received back £600,000.

GPHG has an investment of £2,500 (2013: £2,500) in Inspiral Oldham Holding Company Limited, a non-regulated entity and it has an investment in its Associate Keepmoat Great Places Limited of £62,866 (2013: £58,643).

### 28 Accommodation in management and development

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

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | No | No | No | No |
| General housing | | | | |
| - social rent | 10,772 | 11,140 | - | - |
| - affordable rent | 1,576 | 847 | - | - |
| Supported housing | 1,393 | 1,418 | - | - |
| Key worker housing | 245 | 353 | - | - |
| Low cost home ownership | 1,648 | 1,605 | - | - |
| **Total owned** | **15,634** | **15,363** | - | - |
| Accommodation managed for others | 1,151 | 1,135 | - | - |
| **Total managed** | **16,785** | **16,498** | - | - |
| Accommodation in development at the year end | 701 | 513 | - | - |

### 29 Accommodation managed by others

At the end of the year accommodation owned by the Group and Association but managed by others on its behalf was as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | 2014 | 2013 | 2014 | 2013 |
| | No | No | No | No |
| Housing accommodation | 76 | 76 | - | - |

## NOTES TO THE FINANCIAL STATEMENTS

### 30 Reconciliation of operating surplus to net cash inflow from operating activities

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Operating surplus | 25,513 | 22,926 |
| Depreciation of tangible fixed assets | 10,290 | 8,097 |
| Transfer from restricted reserve | - | (7) |
| FRS17 service cost | 39 | 14 |
| Income from joint venture | 52 | 26 |
| | 35,894 | 31,056 |
| **Working capital movements** | | |
| Debtors | (890) | 579 |
| Creditors | 2,742 | 3,282 |
| Investments | (146) | - |
| Properties for sale | 6,238 | 6,038 |
| **Net cash inflow from operating activities** | 43,838 | 40,955 |

### 31 Reconciliation of net cash flow to movement in net debt

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Increase in cash | (9,255) | (11,771) |
| Cash used to repay loans | (13,150) | (126,466) |
| Cash received from loans | 42,846 | 176,211 |
| Leases received | 5 | - |
| Leases repaid | - | (118) |
| Cash used to increase/(decrease) liquid resources | 10,753 | (10,800) |
| Other non-cash movements | 1,963 | 133 |
| **Movement in net debt for the period** | 33,162 | 27,189 |
| Net debt at 1 April | 346,127 | 318,938 |
| Net debt at 31 March | 379,289 | 346,127 |

Other non-cash movements in 2014 include £1,963,000 in respect of a finance lease that had been previously classified as an operating lease.

### 32 Analysis of changes in net debt

| | At 1 April 2013 £'000 | Cash Flows £'000 | At 31 March 2013 £'000 |
|---|---|---|---|
| Cash and bank | 18,048 | 9,255 | 27,303 |
| Changes in cash | 18,048 | 9,255 | 27,303 |
| Debt | (384,261) | (29,696) | (413,957) |
| Finance leases | (1,120) | (1,968) | (3,088) |
| Changes in debt | (385,381) | (31,664) | (417,045) |
| Current asset investments | 21,206 | (10,753) | 10,453 |
| Changes in net debt | (346,127) | (33,162) | (379,289) |

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Employees

**Policy**

**Pensions**
The Group participates in four funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS), Pension Trust Growth Plan (PTGP) and two Local Government Pension Schemes (LGPS) one administered by the South Yorkshire Pension Authority (SYPA), the second administered by the Greater Manchester Pension Fund (GMPF).

For the SHPS and PTGP schemes, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

For the LGPS, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that it is recoverable by the Group.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme costs are included net in other finance costs. Actuarial gains and losses are reported in the statement of total recognised surpluses and deficits.

The Group also participates in three defined contribution schemes operated by Aviva, B&CE Benefit Schemes and the Social Housing Pension Scheme. Contributions payable under these schemes are charged to the Income and Expenditure account in the period to which they relate.

**Employee numbers**
Average monthly number of employees expressed as full time equivalents:

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **No** | **No** | **No** | **No** |
| Administration | 104 | 104 | 94 | 93 |
| Development | 51 | 49 | 51 | 49 |
| Housing, support and care | 445 | 402 | 111 | 73 |
| | 600 | 555 | 256 | 215 |

**Employee costs:**

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Wages and salaries | 16,091 | 14,937 | 7,462 | 6,517 |
| Social security costs | 1,325 | 1,268 | 631 | 587 |
| Other pension costs | 1,950 | 1,119 | 791 | 503 |
| | 19,366 | 17,324 | 8,884 | 7,607 |

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Employees (continued)

### a) Social Housing Pension Scheme (Group and Association)

Great Places Housing Group Limited together with its subsidiaries Great Places Housing Association and Plumlife Homes Limited, (together "the Group"), participates in the Social Housing Pension Scheme (SHPS). The Scheme is funded and is contracted out of the State Pension scheme. SHPS is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the "SHPS House Policies and Rules Employer Guide".

The Scheme operated a single benefit structure, final salary 1/60th accrual rate until 31st March 2007. From April 2007 three defined benefit structures have been available, namely:

- Final salary with a 1/60th accrual rate.
- Final salary with a 1/70th accrual rate.
- Career average revalued earnings (CARE) with a 1/60th accrual rate.

From April 2010 a further two defined benefit structures have been available, namely:

- Final salary with a 1/80th accrual rate.
- Career average revalued earnings (CARE) with a 1/80th accrual rate.

A defined contribution structure was made available from 1 October 2010.

An employer can elect to operate different benefit structures for their active members and their new entrants. An employer can only operate one open benefit structure at any one time. An open benefit structure is one which new entrants are able to join.

The Group has elected to operate the final salary with a 1/60th accrual rate benefit structure for active members as at 31st March 2007, the CARE with a 1/60th accrual rate benefit structure for new entrants from 1st April 2007, and the CARE with a 1/80th accrual rate benefit structure for new entrants from 1st April 2010.

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 determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due. From April 2007 the split of the total contribution rate between member and employer is set at individual employer level, subject to the employer paying no less than 50% of the total contribution rate. From 1 April 2010 the requirement for employers to pay at least 50% of the total contribution no longer applies.

The actuarial valuation assesses whether the Scheme's assets at the valuation date are likely to be sufficient to pay the pension benefits accrued by members as at the valuation date. Asset values are calculated by reference to market levels. Accrued pension benefits are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

During the accounting period the Group paid contributions at the rate of 4.4% to 8.2%. Member contributions varied between 5.9% and 10.0% depending on their age. As at the balance sheet date there were 206 active members of the Scheme employed by the Group. The annual pensionable payroll in respect of these members was £6,169,000. The Group continues to offer membership of the Scheme to its employees.

**33 Employees (continued)**

**a) Social Housing Pension Scheme (Group and Association)**

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 individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of 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 last formal valuation of the Scheme was performed 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 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the Actuarial Report was £2,718 million. The Actuarial Report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70%.

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

| | |
|---|---|
| Valuation Discount Rates: | % p.a. |
| Pre retirement | 7.0 |
| Non Pensioner Post retirement | 4.2 |
| Pensioner Post retirement | 4.2 |
| Pensionable earnings growth | 2.5 per annum for 3 years, then 4.4 |
| Price inflation (RPI) | 2.9 |
| Pension Increases: | % p.a. |
| Pre 88 GMP | 0.0 |
| Post 88 GMP | 2.0 |
| Excess over GMP | 2.4 |

Expenses for death-in-service insurance, administration and Pension Protection Fund (PPF) levy are included in the contribution rate.

The valuation was carried out using the following demographic assumptions:

Mortality pre retirement – 41% SAPS S1 Male/Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females

Mortality post retirement – 97% SAPS S1 Male/Female All Pensioners (amounts), Year of Birth, CMI_2009 projections with long term improvement rates of 1.5% p.a. for Males and 1.25% p.a. for Females

The long-term joint contribution rates required from April 2013 from employers and members to meet the cost of future benefit accrual were assessed at:

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Employees (continued)

### a) Social Housing Pension Scheme (Group and Association)

| **Benefit structure** | **Long-term joint contribution rate (% of pensionable salaries)** |
|---|---|
| Final salary with 1/60th accrual rate | 19.4 |
| Final salary with 1/70th accrual rate | 16.9 |
| Career average revalued earnings (CARE) with a 1/60th accrual rate | 18.1 |
| Final salary with a 1/80th accrual rate | 14.8 |
| Career average revalued earnings (CARE) with a 1/80th accrual rate | 14.0 |
| Career average revalued earnings (CARE) with a 1/120th accrual rate | 9.7 |

If an actuarial valuation reveals a shortfall of assets compared to liabilities the Trustee must prepare a Recovery Plan setting out the steps to be taken to make up the shortfall.

Following consideration of the results of the actuarial valuation it was agreed that the shortfall of £1,035 million would be dealt with by the payment of deficit contributions as shown in the table below:

| | |
|---|---|
| From 1 April 2013 to 30 September 2020 | A cash amount(*) equivalent to 7.5% of Members' Earnings per annum (payable monthly and increasing by 4.7% pa each 1st April) |
| From 1 October 2020 to 30 September 2023 | A cash amount(*) equivalent to 3.1% of Members' Earnings per annum (payable monthly and increasing by 4.7% pa each 1st April) |
| From 1 April 2013 to 30 September 2026 | £30,640,000 per annum (payable monthly and increasing by 3% pa each 1st April; first increase on 1st April 2014) |

(*) The contributions of 7.5% will be expressed in nominal pound terms (for each Employer), increasing each year in line with the Earnings growth assumption used in the 30 September 2008 valuation (i.e. 4.7% per annum). The contributions of 3.1% will be calculated by proportioning the nominal pound payment at the time of the change. Earnings at 30 September 2008 (for each Employer) will be used as the reference point for calculating these contributions.

These deficit contributions are in addition to the long-term joint contribution rates set out on page 74.

The next formal valuation of the Scheme will begin later this year and will give an update on the financial position as at 30 September 2014. The results of this valuation will be available in Spring 2016.

Employers that participate in the Scheme on a non-contributory basis pay a joint contribution rate (i.e. a combined employer and employee rate).

Employers that have closed the defined benefit section of the Scheme to new entrants are required to pay an additional employer contribution loading of 2.5% to reflect the higher costs of a closed arrangement.

A small number of employers are required to contribute at a different rate to reflect the amortisation of a surplus or deficit on the transfer of assets and past service liabilities from another pension scheme into SHPS.

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Employees (continued)

### a) Social Housing Pension Scheme (Group and Association)

New employers that do not transfer any past service liabilities to the Scheme pay contributions at the ongoing future service contribution rate. This rate is reviewed at each valuation and new employers joining the Scheme between valuations up until 1 April 2010 do not contribute towards the deficit until two valuations have been completed after their date of joining. New employers joining the Scheme after 1 April 2010 will be liable for past service deficit contributions from the valuation following joining. Contribution rates are changed on the 1 April that falls 18 months after the valuation date.

A copy of the Recovery Plan, setting out the level of deficit contributions payable and the period for which they will be payable, must be sent to The Pensions Regulator. The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or Recovery Plan are inappropriate. For example the Regulator could require the Trustee strengthens the actuarial assumptions (which would increase the Scheme liabilities and hence impact on the Recovery Plan) or impose a schedule of contributions on the Scheme (which would effectively amend the terms of the Recovery Plan). A response regarding the 30 September 2011 valuation is awaited.

As a result of pension scheme legislation there is a potential debt on the employer that could be levied by the Trustee of the Scheme. The debt is due in the event of the employer ceasing to participate in the Scheme or the Scheme winding up.

The debt for the Scheme as a whole is calculated by comparing the liabilities for the Scheme (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Scheme. If the liabilities exceed assets there is a buy-out debt.

The leaving employer’s share of the buy-out debt is the proportion of the Scheme’s liability attributable to employment with the leaving employer compared to the total amount of the Scheme’s liabilities (relating to employment with all the currently participating employers). The leaving employer’s debt therefore includes a share of any ‘orphan’ liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Scheme liabilities, Scheme investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

The Group has been notified by the Pensions Trust of the estimated employer debt on withdrawal from SHPS based on the financial position of the Scheme as at 30 September 2013. As of this date the estimated employer debt for the Group was £43.373M (2013: £42.972M).

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Employees (continued)

### b) Pension Trust's Growth Plan (Group and Association)

The Group participates in the Pensions Trust's Growth Plan (the Plan). The Plan is funded and is not contracted out of the State scheme. The Growth Plan is a multi-employer pension plan.

Contributions paid into the Plan up to and including September 2001 were converted to defined amounts of pension payable from Normal Retirement Date. From October 2001 contributions were invested in personal funds which have a capital guarantee and which are converted to pension on retirement, either within the Growth Plan or by the purchase of an annuity.

The rules of the Plan allow for the declaration of bonuses and/or investment credits if this is within the financial capacity of the Plan assessed on a prudent basis. Bonuses/ investment credits are not guaranteed and are declared at the discretion of the Plan's Trustee.

The Trustee commissions an actuarial valuation of the Growth Plan every three years. The purpose of the actuarial valuation is to determine the funding position of the Plan by comparing the assets with the past service liabilities as a at the valuation date. Asset values are calculated by reference to market levels. Accrued past service liabilities are valued by discounting expected future benefit payments using a discount rate calculated by reference to the expected future investment returns.

The rules of the Plan give the Trustee the power to require employers to pay additional contributions in order to ensure that the statutory funding objective under the Pensions Act 2004 is met. The statutory funding objective is that a pension scheme should have sufficient assets to meet its past service liabilities, known as Technical Provisions.

If the actuarial valuation reveals a deficit, the Trustee will agree a recovery plan to eliminate the deficit over a specified period of time either by way of additional contributions from employers, investment returns or a combination of these.

The rules of the Plan state that the proportion of obligatory contributions to be borne by the member and the member's employer shall be determined by agreement between them. Such agreement shall require the employer to pay part of such contributions and may provide that the employer shall pay the whole of them.

As at the balance sheet date there were three active members of the Plan employed by the Group. The Group continues to offer membership of the Plan to its employees. The Group does not pay any contributions into the Growth Plan and the members' contribution rates are at their own choosing.

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

The valuation results at 30 September 2011 were completed in 2012 and have been formalised. The valuation of the Plan was performed by a professionally qualified Actuary using the Projected Unit Method. The market value of the Plan's assets at the valuation date was £780 million and the Plan's Technical Provisions (i.e. past service liabilities) were £928 million. The valuation therefore revealed a shortfall of assets compared with the value of liabilities of £148 million, equivalent to a funding level of 84%.

## NOTES TO THE FINANCIAL STATEMENTS

**33 Employees (continued)**

**b) Pension Trust's Growth Plan (Group and Association)**

The financial assumptions underlying the valuation as at 30 September 2011 were as follows:

| | |
|---|---|
| Investment return pre retirement | 4.9% pa |
| Investment return post retirement | |
| - Actives/Deferreds/Pensioners | 4.2% pa |
| Bonuses on accrued benefits | 0.0% pa |
| Inflation: Retail Prices Index (RPI) | 2.9% pa |
| Inflation: Consumer Prices Index (CPI) | 2.4% pa |

In determining the investment return assumptions the Trustee considered advice from the Scheme Actuary relating to the probability of achieving particular levels of investment return. The Trustee has incorporated an element of prudence into the pre and post retirement investment return assumptions; such that there is a 60% expectation that the return will be in excess of that assumed and a 40% chance that the return will be lower than that assumed over the next 10 years.

The Scheme Actuary has prepared a funding position update as at 30 September 2013. The market value of the Plan's assets at that date was £772 million and the Plan's Technical Provisions (i.e. past service liabilities) was £927 million. The update, therefore, revealed a shortfall of assets compared with the value of liabilities of £155 million, equivalent to a funding level of 83%.

If an actuarial valuation reveals a shortfall of assets compared to liabilities, the Trustee must prepare a recovery plan setting out the steps to be taken to make up the shortfall.

The Regulator has the power under Part 3 of the Pensions Act 2004 to issue scheme funding directions where it believes that the actuarial valuation assumptions and/or recovery plan are inappropriate. For example the Regulator could require the Trustee strengthens the actuarial assumptions (which would increase the Plan liabilities and hence impact on the recovery plan) or impose a schedule of contributions on the Plan (which would effectively amend the terms of the recovery plan). A copy of the recovery plan in respect of the September 2011 valuation was forwarded to the Regulator on 2 October 2012, as is required by legislation.

Following a change in legislation in September 2005 there is a potential debt on the employer that could be levied by the Trustee of the Plan and The Pensions Act 2011 has more recently altered the definition of Series 3 of the Growth Plan so that a liability arises to employers from membership of any Series except Series 4. The debt is due in the event of the employer ceasing to participate in the Plan or the Plan winding up.

The debt for the Plan as a whole is calculated by comparing the liabilities for the Plan (calculated on a buy-out basis i.e. the cost of securing benefits by purchasing annuity policies from an insurer, plus an allowance for expenses) with the assets of the Plan. If the liabilities exceed assets there is a buy-out debt.

The leaving employer's share of the buy-out debt is the proportion of the Plan's liability attributable to employment with the leaving employer compared to the total amount of the Plan's liabilities (relating to employment with all the currently participating employers). The leaving employer's debt therefore includes a share of any 'orphan' liabilities in respect of previously participating employers. The amount of the debt therefore depends on many factors including total Plan liabilities, Plan investment performance, the liabilities in respect of current and former employees of the employer, financial conditions at the time of the cessation event and the insurance buy-out market. The amounts of debt can therefore be volatile over time.

## NOTES TO THE FINANCIAL STATEMENTS

**33 Employees (continued)**

**b) Pension Trust's Growth Plan (Group and Association)**

When an employer withdraws from a multi-employer defined benefit pension scheme which is in deficit, the employer is required by law to pay its share of the deficit, calculated on a statutory basis (known as the buy-out basis). Due to a change in the definition of money purchase contained in the Pensions Act 2011 the calculation basis that applies to the Growth Plan will be amended to include Series 3 liabilities in the calculation of an employer's debt on withdrawal.

The Pensions Act 2011 also proposed regulations which will make "consequential or transitional provisions to avoid adverse consequences". Should an employer withdraw prior to the regulations coming into force (expected to be at the end of July 2014), they should contact The Pensions Trust to check whether the regulations could affect their debt on withdrawal calculation.

The Growth Plan is a "last man standing" multi-employer scheme. This means that if a withdrawing employer is unable to pay its debt on withdrawal the liability is shared amongst the remaining employers. The participating employers are therefore, jointly and severally liable for the deficit in the Growth Plan. As at 30 September 2013 the total deficit calculated on the buy-out basis was £219.9m.

The Group has been notified by The Pensions Trust of the estimated employer debt on withdrawal from the Plan based on the financial position of the Plan as at 30 September 2013. As of this date the estimated employer debt for the Group was £138,473.

**c) Local Government Pension Schemes**

The Association participates in two Local Government Pension Schemes (LGPS), one administered by South Yorkshire Pensions Authority (SYPA) and one by Greater Manchester Pension Fund. They are both defined benefit multi-employer benefit schemes administered under the Regulations governing the Local Government Pension Scheme. At 31 March 2014 there were 21 active members of the Schemes employed by the Association.

The Association's contribution to the LGPS for the year ended 31 March 2013 was £53,000 (2013: £53,000) and the employer's contribution rate is 10.1% (2013: 10.1%) for SYPA and 17.0% (2013: 16.8%) for GMPF of pensionable pay. We estimate that the contributions to be paid in the next financial year will be £61,000.

In accordance with accounting standards, the Association has grouped the disclosures of the two local government pension schemes in line with FRS 17. In addition, the full requirements of FRS17 (Retirement Benefits) have been adopted.

A full actuarial valuation was carried out at 31 March 2013 and supplementary figures were provided for 31 March 2014 by a qualified independent actuary.

**Financial Assumptions:**
In calculating the scheme assets and liabilities, the fund actuary had to make a number of assumptions about events and circumstances in the future. These assumptions represent the best estimate of expected outcomes, but it is possible outcomes will differ from those indicated.

**33 Employees (continued)**

**c) Local Government Pension Schemes (Group)**

The main assumptions used by the actuary were in the range:

| | As at 31/03/14 | As at 31/03/13 |
|---|---|---|
| Rate of increase in salaries | 3.9% - 4.25% | 4.25% - 4.6% |
| Discount rate for scheme liabilities | 4.3% - 4.7% | 4.5% - 4.6% |
| Rate of increase in pensions | 2.5% - 2.8% | 2.5% - 2.8% |
| Inflation (CPI) | 2.5% | 2.5% |

**Mortality Assumptions:**
The post retirement mortality assumptions used to value the benefit obligation are based on the PA92 tables. Based on these assumptions the average range of future life expectations at age 65 are summarised below:

| | Males | Females |
|---|---|---|
| Current pensioners | 21.4 – 22.9 | 24.0 – 25.5 |
| Future pensioners | 24.0 – 25.2 | 26.6 – 28.3 |

| **Expected return on assets are:** | **2014** | **2013** |
|---|---|---|
| The expected returns on assets are in the range: | | |
| Equity | 6.6% - 7.0% | 5.7% - 7.0% |
| Bonds | 3.4% - 4.3% | 2.8% - 3.9% |
| Property | 4.8% - 6.2% | 3.9% - 5.7% |
| Cash | 0.5% - 3.7% | 0.5% - 3.0% |
| Other | 7.0% | 7.0% |

| **Amounts recognised in the balance sheet:** | **2014** | **2013** |
|---|---|---|
| | **£'000** | **£'000** |
| Present value of funded obligations | (2,223) | (1,993) |
| Fair value of plan assets | 1,943 | 1,671 |
| Net liability | (280) | (322) |

**Analysis of the amount charged to the income and expenditure account:**

| | **2014** | **2013** |
|---|---|---|
| | **£'000** | **£'000** |
| Current service cost | 110 | 76 |
| Past service gain | - | - |
| Total charge to operating costs | 110 | 76 |
| | | |
| Expected return on pension scheme assets | (93) | (83) |
| Interest on pension scheme liabilities | 93 | 84 |
| Total charge to other finance costs | - | 1 |

## NOTES TO THE FINANCIAL STATEMENTS

### 33 Employees (continued)

### c) Local Government Pension Schemes (Group)

| **Changes in present value of defined benefit obligation:** | **2014 £'000** | **2013 £'000** |
|---|---|---|
| Opening defined benefit obligation | (1,993) | (1,689) |
| Current service cost | (110) | (76) |
| Benefits/transfers paid | 3 | 147 |
| Interest on pension liabilities | (93) | (84) |
| Actuarial gain/(loss) on liabilities | 2 | (262) |
| Member contributions | (32) | (29) |
| Closing defined benefit obligation | (2,223) | (1,993) |

| **Changes in fair value of plan assets:** | **2014 £'000** | **2013 £'000** |
|---|---|---|
| Opening fair value of plan assets | 1,671 | 1,518 |
| Expected return on plan assets | 93 | 83 |
| Actuarial gains on assets | 82 | 126 |
| Benefits/transfers paid | (3) | (147) |
| Employer contributions | 68 | 62 |
| Member contributions | 32 | 29 |
| Closing fair value of plan assets | 1,943 | 1,671 |

The expected return on assets represents the long-term future expected investment return to be earned on the assets during the year calculated at the start of the accounting year.

| **Analysis of the movement in the deficit during the year:** | **2014 £'000** | **2013 £'000** |
|---|---|---|
| Deficit in the fund at the beginning of year | (322) | (171) |
| Movement in year: | | |
| Current service costs | (110) | (76) |
| Employer contributions | 68 | 62 |
| Net return on assets | - | (1) |
| Actuarial gain/(loss) | 84 | (136) |
| Deficit at end of year | (280) | (322) |

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

| | **2014** | | **2013** | |
|---|---|---|---|---|
| | **£'000** | | **£'000** | |
| Equities | 1,308 | 67.0% | 1,125 | 67.0% |
| Bonds | 357 | 18.0% | 316 | 19.0% |
| Property | 151 | 8.0% | 115 | 7.0% |
| Cash/Liquidity | 67 | 4.0% | 62 | 4.0% |
| Other | 60 | 3.0% | 53 | 3.0% |
| Total | 1,943 | 100.0% | 1,671 | 100.0% |

## 33 Employees (continued)

### c) Local Government Pension Schemes (Group)

**Analysis of amounts recognised in Statement of Total Recognised Gains and Losses**

| | 2014 £'000 | 2013 £'000 |
|---|---|---|
| Actuarial gains/(losses) | 84 | (136) |
| Cumulative actuarial losses | (265) | (299) |
| | | |
| Actual return on plan assets | 111 | 210 |

| | 2014 £'000 | 2013 £'000 | 2012 £'000 | 2011 £'000 | 2010 £'000 |
|---|---|---|---|---|---|
| Present value of defined benefit obligation | (2,223) | (1,993) | (1,689) | (877) | (853) |
| Fair value of scheme assets | 1,943 | 1,671 | 1,518 | 661 | 604 |
| Deficit on scheme | (280) | (322) | (171) | (216) | (249) |
| Experience (losses)/gains on liabilities | (85) | (149) | 27 | (41) | - |
| Experience gains/(losses) on assets | 82 | 126 | 16 | (20) | 114 |

## 34 Financial assets and liabilities

The Group's policy on Treasury management, capital structures, cash flow and liquidity is set out at pages 19-21 of the Operating and Financial Review and Report of the Board.
**Policies:**

**Derivatives**
The Group uses interest rate swaps to reduce its exposure to future increases in the interest rates on floating rate loans. The notional principal is not reflected in the Group's balance sheet. Payments made under swaps are amortised over the payment period and adjusted against variable interest payable on the loans.

**Financial assets**
Other than short term debtors, financial assets held are equity instruments in other entities, cash deposits placed on money markets at call, seven-day and monthly rates and cash at bank.

All of the Group and Association's financial assets are floating rate, attracting interest at rates that vary with bank rates.

## NOTES TO THE FINANCIAL STATEMENTS

### 34 Financial assets and liabilities (continued)

**Financial liabilities excluding trade creditors – interest rate risk profile**
The Group's financial liabilities are sterling denominated. After taking into account various interest rate swaps, the interest rate profile of the Group's financial liabilities at 31st March was:

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Floating rate | 36,674 | 38,426 | 16,095 | 16,095 |
| Fixed rate | 377,282 | 345,835 | 339,453 | 306,578 |
| **Total (note 19a)** | **413,956** | **384,261** | **355,548** | **322,673** |

The Group's fixed rate financial liabilities have a weighted average interest rate of 4.97% (2013: 5.02%) and the weighted average period for which it is fixed is 24.3 years (2013: 24.8 years).

The floating rate financial liabilities comprise bank loans that bear interest at rates based on 1-month, 3-month or 6-month LIBOR.

The debt maturity profile is shown in note 19.

The Group has undrawn, committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

| | Group | | Association | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Expiring in one year or less | - | - | - | - |
| Expiring in more than one year but not more than two years | 10,000 | - | 10,000 | - |
| Expiring in more than two years | 185,905 | 195,905 | 185,905 | 195,905 |
| | 195,905 | 195,905 | 195,905 | 195,905 |

**Fair values of financial assets and liabilities**

| | 2014 | | 2013 | |
|---|---|---|---|---|
| **Primary financial instruments held or issued to finance the group's operations** | **Book value** | **Fair Value** | **Book value** | **Fair Value** |
| | **£'000** | **£'000** | **£'000** | **£'000** |
| Financial assets | 37,813 | 37,813 | 39,283 | 39,283 |
| Short term financial liabilities and current portion of long term borrowings | (1,672) | (1,672) | (1,796) | (1,796) |
| Long term borrowings | (408,491) | (413,036) | (371,127) | (388,244) |
| **Derivative financial instruments held to manage the interest rate profile** | | | | |
| Interest rate swaps | - | 24,112 | - | 35,622 |

The fair values have been calculated by discounting cash flows at prevailing interest rates.

If the rates interest payable had been 0.5% higher/lower and all other variables were held constant, the Group's:

- Profit for the year ended 31 March 2014 would decrease/increase by £187,750
- Reserves would decrease/increase by £187,750.

## NOTES TO THE FINANCIAL STATEMENTS

### 34 Financial assets and liabilities (continued)

**Gains and losses on hedges**

As explained in the Operating and Financial review on page 20, the Group uses interest rate swaps to manage its interest rate profile. Changes in the fair values of these instruments, used as hedges, are not recognised in the financial statements until the hedged position matures.

Great Places' bond is listed on the Professional Securities Market (PSM) and therefore the directors have taken the exemption from adopting FRS 26.

Gains and losses recognised in 2013/14 reflect the actual interest costs charged to the Income and Expenditure account in the year at the hedged interest rates compared to actual interest rates.

An analysis of these gains and losses is as follows:

| | **Total net gains/ losses £'000** |
|---|---|
| **Unrecognised gains and losses on hedges at 1 April 2013** | **(35,622)** |
| Gains and losses arising in previous years that were recognised in 2013/14 | 1,477 |
| **Gains and losses arising before 1st April 2013 that were not recognised in 2013/14** | **(34,146)** |
| Gains and losses arising in 2013/14 that were not recognised in 2013/14 | 10,034 |
| **Unrecognised gains and losses on hedges at 31st March 2014** | **(24,112)** |
| Of which: | |
| Gains and losses expected to be recognised in 2014/15 | (1,344) |
| Gains and losses expected to be recognised in 2015/16 or later | (22,768) |