



ANNUAL REPORT

YEAR ENDING 31 MARCH 2017

& FINANCIAL STATEMENTS 2017



Alliance Homes
Group

Contents

	Page
Chair's Statement	2
Board Members, Executive Directors, Advisors and Bankers	3
Operating and Financial Review and Board Report Incorporating the Strategic Report	4
Independent Auditor's Report	45
Consolidated Statement of Comprehensive Income	47
Association Statement of Comprehensive Income	48
Statement of Financial Position	49
Statement of Changes in Reserves	50
Consolidated Statement of Cash Flows	51
Notes to the Financial Statements	52



During the year we welcomed our new Chief Executive and started work to define our plans for the next five years - our 'Plan A'. By simplifying the way we do things, focusing on the customer and delivering more homes; 'Plan A' will help us build an even more successful organisation.



So in a year that again saw many changes, I am pleased to report that Alliance continued to develop services and improve performance in many areas. Our lettings and rent arrears stand out as some of our best performance yet.

Other highlights include:

- We have delivered more than 81 new affordable homes, with 300 more in the pipeline. Our development plans have seen us extend our reach and work with partners outside North Somerset.
- The opening of our £10 million care facilities in Worle was a proud moment for Alliance and a great example of partnership working.
- We have well established 'employment' services and supported over 1000 customers into employment, training or skills programmes. Our award winning 'Care Academy', which we set up to fill a shortage in care roles and provide employment opportunities to local people, helped 60 people to get a job in care.
- We were delighted to continue the support to the many people who care for friends and family every day, previously delivered by Carers Trust Phoenix. This saw us welcome an additional 50 colleagues to the Group.

- Earlier this year we started the process of establishing a single contact centre where customers can get in touch by phone or through our website and social media. Work will continue in this area as we look to improve our overall customer experience.
- Through our extensive PV panel programme Alliance has become one of the largest generators of electricity in the social housing sector and is delivering over £500,000 in energy savings for residents.
- Our continued focus on making Alliance the place to work, saw us awarded Investors in People 'Gold' status, for the second time. Another proud moment and recognition for colleagues who contribute massively to the overall success of Alliance.

While we have achieved so much, there are always new opportunities and challenges. This year has seen us move into a new phase at Alliance as we look to modernise our business and achieve ever more ambitious goals.

These are new and exciting times and I'd like to thank our many partners, customers and colleagues for the huge part they have played in our progress so far. Your support and hard work is greatly appreciated and reminds me constantly of why the name Alliance is so important to us.

Simon Sweetinburgh

Chair

Board Members, Executive Directors, Advisors and Bankers

Alliance Homes

Independent

Simon Sweetinburgh (*Chair*)
John Bird (*Vice Chair*)
Claire Feehily
Jenny Field (*Chair of
Remuneration Committee*)
Andrew Martyn-Johns (*Chair of
Audit Committee*)

Tenant

Carol Haines
Maddie McIsaac-Dunne
Suzette del Olmo

Council Nominee

Anne Kemp (*from Jun 15*)
David Poole (*from Aug 15*)

Co-optees

Louise Swain (*Board*) (*from May 2016*)

Executive Directors

Group Chief Executive
Group Director of Resources - Retired
Interim Group Director of Resources
Managing Director Alliance Homes/Alliance Living
Managing Director Alliance Property Care

Louise Swain (*from May 16*)
Mike Nicholls (*from Nov 05 to Mar 17*)
Katrina Michael (*from Apr 17*)
Steve Chinn (*from Feb 06 to July 17*)
Steve Drew (*from Feb 06 to Aug 17*)

Registered office

40 Martingale Way
Portishead BS20 7AW

Registered number

Registered Society under the Co-operative and
Community Benefit Societies Act 2014, No: 29804 R
Registered with the Homes and Communities Agency, No: L4459

Auditors

Beever and Struthers
Statutory Auditors
St George's House
215-219 Chester Road
Manchester M15 4JE

Bankers

Barclays Bank Plc
P O Box 1015
3rd Floor Windsor Court
3 Windsor Place
Cardiff CF10 3ZL

Legal advisors

Trowers & Hamblins Solicitors LLP
Anthony Collins Solicitors LLP
Clarke Wilmott Solicitors LLP

Operating and Financial Review and Board Report incorporating the Strategic Report

Alliance Homes
OPERATING AND FINANCIAL REVIEW AND BOARD
REPORT INCORPORATING THE STRATEGIC REPORT

The Board and the Executive Team are pleased to present the operating and financial review with the audited consolidated financial statements for the year ended 31 March 2017 for Alliance Homes (“the Association”) a not-for-profit registered provider of social housing and its subsidiaries Alliance Homes (Ventures) Ltd (AHV) and Alliance Living Care Ltd (ALC).

The Group’s two year Consolidated Statement of Comprehensive Income and Statement of Financial Position are summarised on page 43 and further details of our performance for the year and future plans are set out in this report on pages 5 to 39.

Results at a glance

The Group surplus for the year is £8.2m (2016: £8.8m). After adjusting for the actuarial deficit on the pension fund of £4.3m (2016: surplus of £0.9m), Group reserves at the year end were £60.4m (2016: £56.5m).

Principal activities

Our primary purpose is providing homes at sub-market rents and delivering care and support within the community. The Group operates in partnership with a range of agencies and works to improve people’s lives - overcoming circumstances that can prevent individuals from achieving their full potential.

We operate around the distinctive “Alliance” group brands.



Alliance Homes Brands



Alliance Group Subsidiaries



We have been successful in achieving our strategic objectives and have met 26 out of 31 of our Corporate Plan and Delivery Plan targets.

Our focus is on our amber indicators which are within, but close to, missing the target set and our red indicators which are outside of our target to ensure that action plans are put in place to rectify this or actions taken to mitigate the risks of not being able to meet the target.

Strategic Objectives	Strategic Targets
Corporate Plan	
Improve the quality of life of our customers and work to create thriving communities	Maintain 90 % + customer satisfaction with support services
	Reduce deprivation on our estates to lift areas out of the bottom 3 % of deprived areas in England 2025
	Achieve and maintain UK CSI top quartile customer satisfaction
Offer a flexible range of housing products and services that meet local needs according to customers' current circumstances and future aspirations	Deliver 403 new homes by 2019, including 116 for market renting, 10 for home ownership, and 277 for social renting
	Reduce household energy costs for tenants by a minimum £250,000 per annum by 2020
	Reduce the carbon emitted from our business services and homes by 12 % by 2020
Establish an efficient, nimble and flexible business that can adapt to changing market conditions	Deliver the efficiency savings identified in the Value for Money Strategy to reinvest in business priorities
	Grow Care and Support services under the Alliance Living brand to a turnover exceeding £5m and surplus generating position by 2018
	Ensure all trading areas achieve a positive net trading position by the end of 2018
	Maintain rent arrears below the median level for all housing associations for each year of this plan
	Achieve 50 % of tenants engaging with us digitally by 2018



Strategic Objectives	Strategic Targets
Stronger Communities Delivery Plan	
Provide care and support services that promote independent living	Maintain 82 % of support service users leaving support service as a planned move
	Expand care services to 3000 care hours per week by April 2017
Deliver housing services that respond to customer needs and promote effective housing management	Maintain over 70 % of tenants eligible for the reward scheme
	Achieve a top box (9+) satisfaction score for how customers view staff behaviours when contacting Alliance Homes Group
Create innovative solutions that build customer capacity, create employment opportunities, and tackle deprivation	Support 75 local residents to secure employment per annum
	Support 200 local residents to access training opportunities per annum

Strategic Objectives	Strategic Targets
Better Homes Delivery Plan	
Deliver good quality and value for money repairs and maintenance services	Ensure all relevant properties receive an annual gas safety check
	Ensure a cost effective and efficient repairs service
	To achieve 85 % + satisfaction from tenants with the repairs and maintenance service
	Ensure all relevant properties receive the necessary electrical safety check
Maintain and improve house condition standards that reduce the cost of living for householders	Achieve a tenant satisfaction score of 7.5 with the quality of their home
	Increase the average SAP rating of all properties to 76 by 2017, subject to cost benefit analysis

Strategic Objectives	Strategic Targets
Smarter Business Delivery Plan	
Ensure effective leadership, governance and control	Ensure full compliance with regulatory requirements
	Maintain high levels of standards and probity
	Maintain Board attendance over 85 %
Leading, supporting and improving employee performance	Maintain staff sickness at less than the national median
	Achieve a staff engagement index of higher than the national average
Implement an effective financial planning approach that maximises the use and financial capacity of existing assets	To re-let empty properties efficiently
	Maximise the rent related cash-flow into the organisation
	Ensure there are sufficient resources to deliver our objectives

Our performance against both the corporate and delivery plan objectives follows.



Objective: Improve the lives of people to make their communities better places to live

Customer Service

The Customer Support Centre (CSC) has been in place for two years. The team received 55,105 calls in 2016/17 and achieved 87.7% against a target of 90% of calls answered in 20 seconds and an abandoned call rate of 2.9%.

Reviews have identified where additional areas of work can improve the customer journey and create efficiencies, for example, mutual exchange processes and the processing of direct debits.

We are planning our approach to providing a first class, self-service option for customers to provide online/telephony methods for completing a number of transactions (e.g. payments, reward scheme requests etc). This will also create either capacity within the team, or further cost savings.

In April 2017 the CSC and Repairs Hotline merged. Whilst this move has been purely physical, the upgrading of the telephony/contact centre software will allow for a skills based approach to the customer service delivery model. This, in turn, will improve service to the customer and create efficiencies in the staffing of the team.

Administration

By centralising administration we have enhanced our customers' experience of our services, streamlined work and built in capacity to take on the additional work. Customers now get immediate responses to a larger number of queries and requests. As a result the customer satisfaction score remains high.

Webchat

We have received approximately 550 'chats' this year, (2 per day). This has remained constant since it was launched alongside the new website, and there is a plan within our digital strategy to increase its usage.



Customer satisfaction

During 2016/17 we continued to survey tenants to enable us to compare satisfaction levels with those across the private sector as well as with other housing associations. Our target is to exceed top quartile satisfaction as measured by the UK Customer Satisfaction Index (UKCSI) which currently stands at 85.1%. Our current satisfaction score is 84.7%.

Complaints & Compliments

During 2016/17 we received 247 complaints (2015/16: 289).

This year we took the opportunity to revise our procedure for complaint handling to reduce the time it took to deal with a complaint.

310 compliments (2015: 240) were received, all relating to staff, with the majority being about our support and repairs services.



Objective: Empower our customers to define and shape services and the communities where they want to live

Community Engagement

We have continued to develop our approaches to engagement in order to reflect new priorities and efficiency. In the last 12 months we have:

- Expanded our database of involved tenants to over 600;
- Sought feedback on over 10 policy reviews and surveys;
- Run 4 focus groups including our first online group;
- Run a task and finish scrutiny project on welfare reform.

Engagement Review

As required by the HCA's Tenant Involvement and Empowerment Standard, we have conducted a 3 yearly review into our engagement structure with nearly 400 tenants taking part. The key findings were:

- 99% believed engaging with their landlord to influence service provision was important;
- 87% wanted to be engaged themselves;
- The most popular options for engagement were focus groups, surveys and social media groups.

Customer Insight

To assist the ongoing changes within the organisation through Plan A, the team has been reviewing how we receive, process, use and retain customer data with an eye to future efficiencies in working practices.

Tenancy management

Our approach to tenancy management has been to move away from a traditional social housing management model to one where three aspects of tenancy services - tenancy management, tenancy compliance and the community warden service - sit together under a single service manager, enabling us to develop our 'A B C' of tenancy sustainment:

Our Approach:

- We are aware and respectful of people's needs;
- We are consistent and non-judgmental;
- We are open, honest and clear about what we can do;

Our Beliefs:

- We respect the choices and decisions that people make;
- We can bring about positive change by thinking creatively;
- We promote the notion of people helping themselves, wherever possible;

Our Commitment:

- We will offer the most appropriate advice/ service in any given circumstance;
- We will work with internal and external partners to find and offer help where we cannot provide it ourselves;
- We will deliver what we say we will in a timely fashion.



Tenancy services

A team of five Tenancy Officers (including two based on the Bournville estate) is responsible for providing a co-ordinated response to handling issues that arise during a tenancy.

We operate starter tenancies for the majority of new tenants, under which short hold assured tenancies convert to full assured tenancies, provided no issues or concerns arise during the first six months. This 'trial' period can be extended to 18 months if necessary.

During 2016/17 the team handled 98 formal tenancy amendments such as mutual exchanges and succession assignments (2015/16: 129); carried out 420 tenancy audit checks; made 497 referrals to Alliance Living Support and/or other partner agencies so that appropriate assistance could be offered where the need for support or a risk of tenancy failure had been identified.

Tenancy Compliance

This team is responsible for tackling anti-social behaviour and taking appropriate action to manage tenancy breaches for all matters other than the non-payment of rent. This includes nuisance, abandonment, dis-repair, access for gas servicing and tenancy fraud. Both informal remedies and legal sanctions are used alongside the offer of support where appropriate. 539 cases of person-centred anti-social behaviour were reported and logged during 2016/17 (2015/16: 542).

Close working with community safety partners ensures a robust response to serious incidents of anti-social behaviour. The team also act as the organisational lead for domestic abuse and assisted in 52 cases during 2016/17, again ensuring that customers receive the appropriate level of support.

We continue to work in partnership with SARI in relation to incidents of hate crime and have continued our contract with Bristol Mediation providing a creative model for customers to assist them with managing conflict and dispute resolution.

The team obtained the following legal sanctions during 2016/17:

	2016/17	2015/16	2014/15
Injunctions for anti-social behaviour:	22	16	15
Injunctions for gas non-access:	8	3	8
Outright possession orders:	7	9	5
Section 21 Notices served:	7	3	3



Community Warden Service

The Community Wardens are responsible for tackling environmental anti-social behaviour such as fly-tipping, graffiti, dog-fouling and the condition of gardens, open spaces and communal facilities. A total of 2,931 incidents were logged and dealt with during 2016/17; this represents a 250 % increase over the previous year which can be attributed to a streamlining of processes made possible by a move to hand-held mobile devices. They also carried out 530 health and safety checks in the communal blocks that we own and manage.

The Bournville neighbourhood, Weston-super-Mare

This estate contains two areas that are amongst the 1 % most deprived in the country. It scores poorly in the two most heavily weighted indices used to assess deprivation - namely 'income' and 'employment'. Our future focus will therefore be on prioritising income and employment initiatives.

One Team

The One Team initiative is a group of professionals who agree priority actions in relation to specific households within the community and to highlight related issues that arise on these estates. The weekly meetings are attended by representatives from Alliance Homes through a free flow of information these meetings achieve the objective of rapid problem-solving at a local level. The group meets quarterly and focuses on 6 main themes:

1. Anti-social behaviour (currently with an emphasis on hoarding)
2. Domestic abuse
3. Substance misuse
4. Mental health
5. Children and young people
6. Employment and skills

Growing Together Project

This innovative partnership project, led by Alliance Homes, aims to promote access to productive green spaces on the Bournville estate focussing on the delivery of horticultural training and education, food growing, healthy eating, volunteering opportunities and nature-related activities across three allotment sites on the estate. 'Before and after' style evaluations from the second year of operation confirm a positive trend in outcomes using widely accepted measures of health, wellbeing, skills and self-directed goals.

'Our Neighbourhood' Project

Alliance Homes also leads the delivery of this asset-based project on behalf of Public Health North Somerset. The aim is to improve health and well-being and improve life expectancy through developing local networks to create a thriving community. The project is delivered by two Community Networkers, and focuses on Asset Based Community Development (ABCD), building on opportunities and drawing on strengths that already exist within the community. Outcomes at the end of the first year have shown an overall improvement in self-reported health and wellbeing, and also particularly in learning new skills and helping neighbours and friends.

Youth Club

There is a significant need for activities for young people. In response a six-week pilot project was started in 2015 by Alliance staff and the Police to run a youth club at the local YMCA. A 'walking bus' enables young people to get there and home again in safety. Activities including a roller disco, cooking, craft and other events are aimed at growing young people's confidence and self-esteem. Alliance staff attend every week on a voluntary basis and assist with running events and the kitchen. The success of the pilot led to a successful bid for funding from Children in Need and the resultant £8,840 grant enabled the youth club to keep running. A new bid for £29,000 has been submitted to Children in Need to fund the project for the next three years and the outcome is awaited.



Welfare Reform and rent arrears

We continue to put considerable effort into preparing both ourselves and our customers for the impacts of welfare reform and this year has been no exception.

Rent arrears at the year end were 1.60 % compared to last year end of 1.89 % or £615,000 versus £509,000 (a decrease of £106,000), a really strong performance against a backdrop of continued Welfare Reform measures. In fact, this was our best ever performance figure and surpassed HouseMark's median of 2.29 % which was our target.

The number of arrears over £1,000 has decreased from 162 to 126 which is the lowest they've been since 2011.

Since the Income Team was formed as a specialist team, rent arrears have decreased year on year. This is predominantly due to an accumulation of consistently applying policy and procedures; early preventative actions from the outset i.e. Verification, Affordability and Risk Assessing (VARA) for every new tenant and the use of Starter Tenancies and s21 together (never combined previously) and the use of Ground 8 (Automatic Possession).

This has resulted in fewer evictions over the last year, (6 compared 11 in 2015/16) - and the lowest level of court orders (107) since 2011.

Our Money Advice service has grown and become more efficient after the purchase of a new case management package. We have helped a large number of tenants to improve their financial management and budgeting skills and have been able to maximise our customer's income by a total of £332,000.

Our aim was to have the lowest possible arrears at the year-end so that we are in a good position for June and July 2017 when Universal Credit goes live in North Somerset.

We currently have 56 Universal Credit applicants who owe an average of £400 each- our collection rate remains high at 87 % - we believe that our arrears are likely to increase by £200,000 with our target for this coming

year being £709k or 2.23 % . Provision has been made for this within our financial plans.

Some of the actions that we have introduced over the last 12 months are as follows:

- Procurement of RentSense, which is a software programme that predicts where arrears are at risk and where to direct resources.
- Using our Contact Team to deal with cases below £250.00
- Creation of a two year, Welfare Reform Action Plan, that sets out how we will mitigate against further welfare reform measures

Our preparations for welfare reform have been audited this year and gave a 'Substantial' level of assurance that we are taking effective action to mitigate risks in this area.

Lettings

Last year we saw the best ever average re-let time of 17 days. An improvement of five days over 2015/16, and two better than the sectors top quartile performance.

Tamar Court

Tamar Court is our new 65 unit extra care scheme split between shared ownership and rental properties. All shared ownership properties have been sold with 11 rental properties still to let. We anticipate that these will let by August/ September 2017.



Objective: Build capacity within communities through skills and education programmes and employment creation opportunities

Employment Support

As part of the Corporate Plan and Stronger Communities Delivery Plan Alliance has been working in partnership to create innovative solutions that create employment opportunities and tackle deprivation. Through developing our partnerships and in house employment and skills services we have significantly over achieved the targets for 2016/17.

Performance Indicator	Target 2016/17	Actual performance 2016/2017
Number of customers and tenants into employment	75 & 18 (inclusive of total)	238 & 58 (24 % tenants)
Number of apprenticeships in AHG	4	11
Number of customers and tenants into qualifications	75 & 38 (inclusive of total)	210 & 88
Number of customers and tenants on employment and skills programmes	150 & 75 (inclusive of total)	779 & 245

Partnerships

Team North Somerset (TNS) has been successful in gaining £479,000 Building Better Opportunities (Big Lottery and European Social funding). Alliance alongside Weston College and North Somerset Council lead the Team North Somerset partnership delivery model. The programme will provide 1-2-1 bespoke support to help people with significant and multiple barriers progress into learning new skills, qualifications, gaining work experience volunteering and employment. The key targets over the 3 years are to engage with 200 people, 50 people into learning and 30 people into employment.

TNS has also set up a new wellbeing and work hub at the Carlton Centre in Weston- super-Mare this will trail-blaze a new partnership model by joining up health, community learning and employment services.

Alliance has secured £14,000 from Community Learning (Skills Funding Agency) to widen the scope of the SAVVY training programme that is delivered by one of the Support Alliance partners (VANS). The SAVVY programme builds confidence, provides peer support and has proven an extremely successful pathway in volunteering and employment.

We continue to provide annual support (£50,000) through our Community Fund to organisations such as North Somerset CAB, SARI and three community run resource centres.

Care Academy

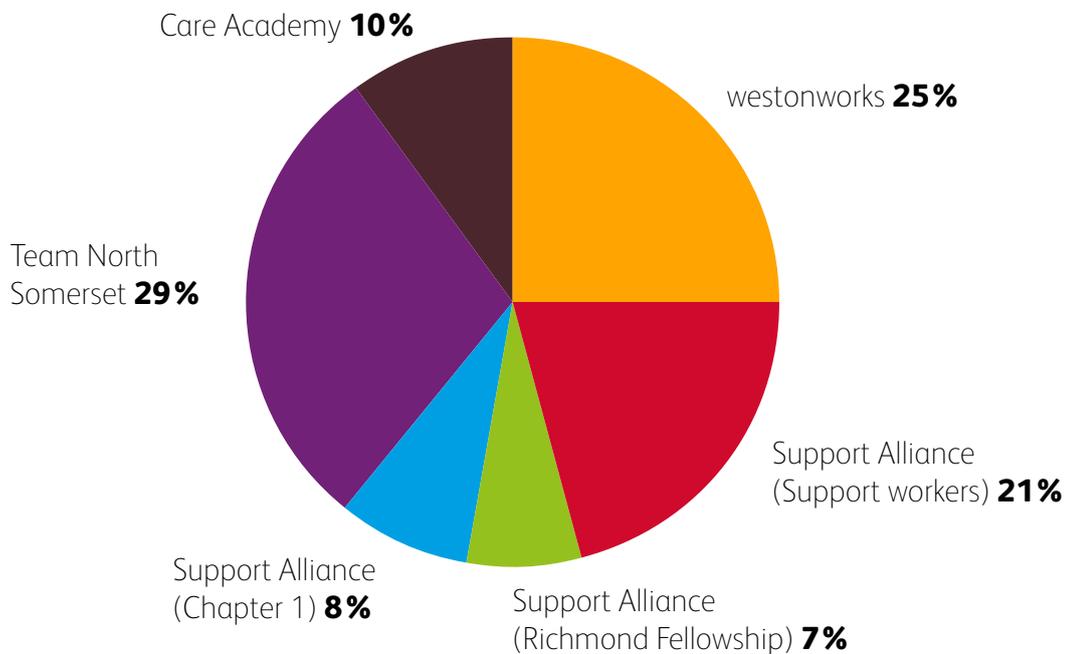
We set up the Care Academy to:

- Address a carer shortage
- Breakdown barriers for local unemployed people by giving them the confidence, skills and support to succeed

Over the last 18 months we have exceeded our targets and have filled 60 Care roles at Alliance Living Care with candidates from the Care Academy. A further three recruits went on to get jobs with partner agencies. We have also won local and regional awards for this innovative partnership model.

The chart below highlights the different employment services and their contribution to the 238 employment outcomes.

Employment Outcomes 2016/17



Central Resources

During 2016/17 Alliance established the CRM and our Customer Support Centre which is at the forefront of our customer service.

We have made significant cost savings in the administration of our services. These include:-

- We have reduced the costs of our legal services for housing management by £23,750 as a result of our own staff undertaking some legal work. This also provided valuable experience for our staff.
- We have reduced the cost of our Tenant Reward Scheme by bringing the service in-house, saving £40,000 a year. The scheme is still popular with customers and we are planning to use it to incentivise on-line services once the strategy for this is in place.

Objective: Provide care and support services that promote independent living

Alliance Living

Alliance living consists of two strands. Alliance Living Support (ALS), providing housing related support to help sustain independent living and Alliance living Care (ALC) which provides domiciliary care throughout North Somerset and South Bristol. A key target in the 2015 corporate plan was to expand the Alliance Living operational turnover to over £5 million and to achieve a surplus generating position by 2018. Alliance Living had a turnover of £4.5m over the financial year exceeding the target for the 2017 year of £4m.

ALC had a turnover of £1.74m (2015/16: £1.17m). This growth has come from two main areas. The start in September of a contract from North Somerset Council to deliver all funded home care in Weston-super-Mare. We also took over the home care previously provided by Carers Trust Phoenix in south Bristol.

We also provide care in our new Extra Care scheme, Tamar Court, which opened in January.

This growth moves us closer to the proposed operating model that will give us good economies of scale. However, the speed of the growth has not yet allowed us to deliver these economies and further investment has been necessary to deliver improved operational systems. A new IT system was introduced during the year that is beginning to improve the effectiveness of our work planning and business systems.

Our Alliance Living Care Academy continues to deliver excellent training and employment outcomes - 60 people have been offered jobs in care since it started. Our achievements have been recognised nationally when we were a finalist in the Skills for Care "Accolades" awards.

Despite the above, ALC made a significant loss for the year (£385k). These losses combined with additional expected operational costs during 2017/18 have resulted in ALC being in a difficult financial position. On 30th June 2017 ALC Board approved a series of cost reduction and income growth measures designed to offset the negative impact of the operational costs. ALC is still considered to be a Going Concern.

ALS received a very positive service review from North Somerset Council. In order to meet the council's very challenging financial budget, a 5% cut was imposed on the service, resulting in turnover for the year of £2.8m. Most of our contracts are now in their final year, and we always anticipated them making a loss in the latter end of the contract, which totalled just under £300k after overhead.

The work previously sub-contracted to Carers Trust Phoenix was returned to us for direct delivery because of their potential insolvency. ALS also took on a small counselling service. The other service which increases the range of Alliance Living Services is the Young Carers service. We are grateful to BBC Children in Need and Nani Hiyu Trust for continuing to fund added value activities for Young Carers.

North Somerset Council intends to tender the work we do in our two main contracts to go live in December 2017. There will be a reduction in value from £2.25m to £2m. The contract will be for two years only, so that the council can redesign the service before issuing a longer contract. We will do all we can to retain this work.



Objective: Provide and maintain quality homes to meet current and future needs

Objective: Ensure effective asset management that maximises the asset value of our homes

Investment in our properties

Our investment of £7.10m for the financial year 2016/17 has continued to focus on ensuring our homes continue to meet the Decent Homes Standard and the Housing Quality Standard (HQS). Homes under management are consistently verified at 99.94 % decency and satisfaction with the service across the HQS programmes of work have recorded 99 % satisfaction over the year.

Active asset management continues to provide a framework for investment planning. Keystone Asset Management System records 99.6 % data information held across all homes under management. This affords confidence in managing our exposure to risk with component accounting and asbestos management being added to our suite of core modules.

The Introduction of e-procurement across the group for our purchasing requirements and greater use of consortia buying will provide value for money as these projects are delivered over the longer term.

The national outlook for the construction industry saw an upturn in activity across all sectors which has resulted in a 3 % uplift (Building cost information service) in costs to deliver our HQS programmes, however effective management and the use of the above tools have meant that costs have remained within the overall 2016-17 Financial Plan.

A 5 yearly Stock Condition Survey was undertaken during 2017/18, the outcomes of which confirm the good condition of our housing stock.

Objective: Develop and implement energy efficient solutions that reduce the carbon footprint of our business

We aim to achieve a minimum energy efficiency rating (SAP) of 70 for all our homes by the end of 2020.

Investment to carry out energy improvements to tenants' homes have seen average SAP recorded for our assets of 74.4 measured against a national average of 65. This significant energy performance of our assets has a positive impact for our tenants and sets the standard for an affordable home model that delivers a saving of £845k in utility costs when benchmarked against the national average.

The Photo Voltaic (PV) equipment installed on our properties has seen Alliance become one of the largest generators of electricity in the social housing sector. This has delivered circa £530k in energy savings for our tenants and added significant capacity to the business plan through Feed in Tariff payments.

Our carbon reduction strategy has ensured that this year we have continued to reduce our carbon footprint by some 4849 tonnes recorded across the asset portfolio from base-line position. The target is to reduce our carbon footprint 35 % by 2020 and we are ahead of programme delivery with 99 % savings achieved to date.

Objective: Deliver a high quality and value for money repairs and maintenance service

Maintaining our properties

Property Care Direct (PCD), our in-house maintenance service, provided the maintenance and improvements to our homes. The team undertake day to day and void repairs, electrical and gas maintenance. In addition, there is a specialist team dealing with disabled adaptations including installation of wet floor showers, over bath showers and general adaptations which make life more comfortable for vulnerable residents.

PCD consistently delivers upper quartile performance for customer satisfaction. For the year ending 2016/17, PCD has achieved a satisfaction level on works undertaken of 93 % compared to the UKCSI of 77 %. This has resulted in an upper top quartile position when compared to 1,000 other companies and 130 other housing associations.

A major focus for our in-house service has been to reduce the visits per annum to carry out repairs to each of our tenant's homes. This has reduced from an average 4 repairs a year to a current level of 2.4 a year.

During the course of the year, PCD completed 14,613 response repairs, prepared 467 empty homes ready for re-let, completed 6,613 gas services (including annual services, voids and mutual exchanges), 1,157 periodic electrical tests and carried out 77 wet floor shower installations. The repairs hotline handled over 49,000 repairs & maintenance telephone calls last year.

At the end of the year 100 % of our properties had received an annual gas safety check.

Our material supply is predominantly delivered through our main supplier, Travis Perkins, with whom we have developed a process of electronic trading (E Trading). This enables us to purchase products, pay invoices and control our vehicle imprest stock seamlessly through our IT systems.

15 properties were without a periodic electrical safety test at the end of the year as a result of refused access. Our processes are currently being reviewed in order to reduce this risk exposure in the future.



Developing new properties

In total the Association owned and managed 6,426 (2016: 6,366) properties at 31 March 2017.

Our corporate plan target was to develop 284 new homes by 2020, with our initial focus being to purchase section 106 new housing from local development activity. During the year, purchase agreements were made to buy 42 new homes via section 106 agreements. Work is now complete on the construction of a 65 bed dementia care facility in Worle (Tamar Court), Weston-super-Mare in partnership with the local authority.

Plan A, detailed later, has resulted in revised ambitions. We are currently drafting a new, more ambitious Development Programme



Objective: Enhance capacity to provide value for money products and services

Value for Money

Whilst the Group acknowledges the work undertaken to date to create a more efficient and effective business, there is a recognition that, given the current economic and political climate, further change is needed. The Group has now established Plan A, with the aim of 'Improving lives and benefitting communities. To deliver this we will:-

- Exit any activities that do not deliver value or do not break even
- Continue to grow our existing business activities
- Undertake commercial activities within our core functions
- Operate within our core geographic areas (i.e. within 45 minute radius)
- Implement innovations that are already well tested by others

For Alliance Homes Group Value for Money (VFM) is about striving to achieve business effectiveness and as such is a continuous process. Our performance is very good in some areas whilst in others we have plans for improvement. Seeking value for money in all that we do is seen as a priority across the Group as it creates capacity to meet our wider range of corporate objectives.

Our full VFM self-assessment report can be found here:-

<https://www.alliancehomesgroup.org.uk/about-us/what-we-do/our-performance/>

Meeting Corporate Plan Objectives

We have been successful in achieving nine of the eleven strategic objectives over the year. The objectives are translated into smart targets, which in turn are measured by performance indicators and monitored using a traffic light system. By 31st March 2017 we had achieved 26 out of 31 of our Corporate Plan and Delivery Plan targets.



Service Costs and Quality

We measure ourselves **internally and externally** on service costs and quality in order to track our progress in achieving value for money.

Our internal VFM indicators cover Housing Management, care and support, repairs and maintenance and overhead support services. The cost targets were based on 2016/17 budgets and where we achieved better than budgeted performance subsequent years budgets were then adjusted to reflect this improved performance.

However we have 2 indicators for quality in Housing Management and (Customer Satisfaction at 85.7% against a target of 85.1%), and HR (Staff Satisfaction at 80% against a target of 82%) which did not meet target.

The reduction in staff satisfaction can be largely attributed to the fact that the organisation is currently undergoing a period of change. In respect of Housing Management, actions have been identified to close this gap, particularly with work currently being undertaken on Customer Journey Maps, and the merging of the two call centres.

We have two cost indicators in Care and Support and ICT which have not met target, in relation to levels of surpluses for Care and Support as previously discussed, and a review of core systems and platforms is being undertaken to ensure the appropriate resources are in place to meet current and future requirements for ICT.

Another way of assessing cost and quality is using external benchmarking. We have used HouseMark for this purpose since 2007/08.



Return on Assets

Our asset management system, Keystone has allowed us to identify high and low performing assets. Where the data indicates high maintenance costs, low demand or low yields an Active Asset Management Strategy will provide a dynamic platform to inform future plans for individual, or groups of assets. We will develop this over the coming year.

Alliance Homes has a stock transfer agreement with North Somerset Council within which the value of assets sold is shared equally. This reduces the value of income to us in most circumstances. However, during the year we have obtained consent for disposal of a limited number of properties with the income to be reinvested in the provision of additional homes.

We understand the value of our assets including the financial social and environmental return on decisions we take. During the last 12 months we have delivered our objective to take this challenge from a single level to a layered approach to ensure our decisions are based on maximising return and meeting strategic goals.

Our asset management strategy 2013-2018, sets out key objectives to ‘sweat our assets’ using business cases built on options appraisal methodology. Understanding the long term costs of holding assets is paramount to a sustainable plan. We model our options to maximise output recognising that both ‘people and place’ must be understood.

Our development strategy informs our decision making in respect of demand for homes we currently own, and those we plan to develop in the future. This is backed up by the volume of transfers/new tenant applications we receive for our empty homes (on average we have around 50 application bids for an empty home). In part, due to high market rent and purchase price of homes in the south west, we do not currently experience low demand for any of our properties.

Care and Support

Our support contracts cover their operating costs whilst making a small contribution towards overheads over their lifetime. However, after overhead apportionment the contracts made a loss of £994k during 2016/17.

Our care business, ALC, made a loss of £306k before overheads during the year.

These positions have previously been accepted by the Board, however with the North Somerset Council Support Contract currently out to tender, which includes a 20% reduction in the contract value, a revised methodology for calculating overhead apportionment has been agreed. This more accurately reflects the Support Services use of resources, and has been implemented from 1st April 2017.

In addition, the difficult operating environment in which ALC operates has meant that the Board has had to shift its ambition that Care and Support services should be cost neutral by 2018. It is now anticipated that the care business will begin generating a surplus from 2019.

Repairs

Property Care Direct (PCD) has a customer satisfaction with the responsive repairs service of 93%, 8% higher than the benchmarked upper quartile (STAR survey results).

We have reduced the number of responsive repairs undertaken and have had fewer voids, but the voids we have had have needed more work.

This has affected both cost and turnaround times. To combat this, we completed a business review of the void process to help address this which has seen us delivering the highest performance in re-letting properties in 10 years.

Investing more money early in our cyclical maintenance programme, such as painting, means we have been able to reduce longer term maintenance needs and costs.

Spend to improve is determined by our stock condition survey. This has been externally validated by Savills and supports the long term financial plan assumptions.

Our electricity generating subsidiary (Alliance Homes Ventures) Ltd has exceeded its planned performance and now generates a gross income exceeding £1.5 million per annum.

Business Transformation/Project Management Office

We are in the process of establishing a Project Management Office (PMO). The aim of the PMO is to assess the scope of, and manage the implementation of all projects across the group, ensuring the right resource is available at the right time, and that all projects are aligned to Plan A deliverables.

Risks and uncertainties

Risks that may prevent us achieving our objectives are considered and reviewed quarterly by the senior management team, the Audit Committee and the Board. An external review of the risk register is undertaken by an independent consultant. The risks are recorded and assessed in terms of their impact and probability, as well as inherent and residual risk.

In addition, every report taken to the Board and Audit Committee considers the risks involved. Amendments to risks, including the identification of new risks are proposed as part of decision making, which are then approved by the Board or Audit Committee. The top eight risks to successful achievement of the Group's objectives showing existing and further mitigating actions are:

Risk name and key controls

Adverse changes to welfare benefits resulting in loss of income and/or reduced services plus increased demand for services

- Financial plan has prudent assumptions regarding income, and has considered the risks of changes to welfare benefits.
- A specialist Income Team has been established and Financial Inclusion Caseworkers work with tenants.
- There are good links with other agencies to allow tenants to be referred as appropriate.
- A programme is in place to identify tenants at risk to changes in benefits, such as under occupation. Once identified, tenants are supplied with support as appropriate.
- Incentives are in place to support downsizing.

Failure to deliver the planned surplus from outright sales, affordable home ownership sales and intermediate/market renting

- Development Strategy is in place and informed by knowledge of existing and target operating markets, informed by specialist market intelligence.
- Contingency plans are in place to convert properties to different tenures if required.
- A well-resourced marketing strategy is in place.
- All development schemes are subject to a high level of independent scrutiny.

Rental income is less than expected

- Monthly monitoring reports for Executive Team (including welfare reform specific performance) and quarterly reports to Board.
- Monitoring of sales of properties under the Right to Buy.
- Introduction of specialist software to manage rent arrears proactively.
- Prudent assumptions have been made in the financial plan.
- A welfare reform action plan in place.

Inability to deliver the expected level of value for money, resulting in reduced growth and/or service delivery

- Clear and up to date Value for Money Strategy in place.
- Robust performance and cost monitoring arrangements in place, complemented by benchmarking and a culture of continuous improvement.
- Competitive procurement processes in place to maximise benefit and return on investment, including use of procurement consortia.

Risk name and key controls**Data or files are lost, stolen or inappropriately disclosed which leads to sensitive and confidential data being misused**

- Password and security systems in place for inappropriate use of data.
- All staff are signed up to an Information Security Policy.
- Regular security testing of our network for vulnerabilities.
- Access to Information policy and guidance reviewed and distributed.
- Training has been provided to staff on Data Protection.

Costs incurred to meet requirements of Alliance Living contracts greater than planned

- Contract specific income and expenditure accounts monitored monthly.
- A review of time allocation of front line staff to check original assumptions has been carried out.
- An agreed growth strategy for Alliance Living has been agreed by the Board.
- Payments to sub-contractors continually reviewed against caseload and staffing.
- Regular review of business model and assumptions.

Neighbourhoods where Alliance Homes has a significant presence will go into decline or experience high levels of social exclusion

- Regular liaison at a strategic level with local authority.
- Operation of choice-based letting schemes where necessary to mitigate localised challenges.
- Maintenance of community development investment.
- Operation of initiatives that promote employment and enhancement of skills and confidence.

Sheltered housing stock becomes unfit for purpose / requires remodelling

- Regular stock condition surveys and review of Asset Management Strategy.
- Financial Plan includes provision for financial re-modelling based on stock condition information and sensitivity testing.
- Regular engagement with stakeholders to identify changing demands in the market.
- Dedicated plans to review requirements and plans for sheltered housing stock developed.



Capital structure

The Group has an agreed loan facility of £80m, providing capacity for development, although we did not need to draw down loans in 2016/17 (2015/16:nil). The Association is able to on-lend to its subsidiaries, and currently has a loan of £10m issued to Alliance Homes Ventures on commercial rates, generating a return to the Association. We have four fixed rate loans of £10m each expiring in 2025, 2026, 2031 and 2036 with interest rates (including margin) of 1.98%, 0.90%, 3.18% and 4.80% respectively.

Cash flow and funding

Cash inflows and outflows during the year are shown in the Consolidated Statement of Cash Flows (page 51).

We are holding £12.8m in cash. This is partly to mitigate any potential failure in the banking sector and also in readiness to fund our revised development strategy.

Statement of compliance

In preparing this Operating and Financial Review, the Board has followed the principles set out in Para 33 and 34 of the 2014 SORP Update for registered providers.

Post balance sheet events

The Board considers that there have been no events since the financial year end that have had a significant effect on the financial position of the Group.

Board members and executive directors

Board members and executive directors of the Group who served up to the approval of these financial statements are listed on page 3. The Board comprises up to twelve members and up to ten co-optees (with a limit of two co-optees to the Board). The structure of the Board is such that it provides for five tenant members, two nominees from North Somerset Council and five independent Members. Board Members are regarded as non-executive directors for legal purposes. From July 2010 co-optees to the Board include the Group Chief Executive.

The Executive Team at the point of approval of these financial statements consisted of the Group Chief Executive, and the Interim Finance Director. Recruitment to the remaining Executive Team posts is underway, with the Chief Operating Officer being appointed in August 2017. They will commence their duties on 4th September 2017. The executive directors meet on at least a fortnightly basis. The executive directors hold no interest in the Association's shares and act as executives within the authority delegated by the Board.



Company membership

There are currently 34 members of the Association. The company membership policy states:

The Board currently supports the principle that membership of the Association should be open to those who are either:

- tenants of the Association provided they are not in breach of their tenancy conditions (who would be classed as tenant members)
- leaseholders of the Association provided they are not in breach of their lease (who would be classed as tenant members)
- independent Board members of the Association (who would be classed as independent members)
- independent business and social representatives with an interest in furthering the objects of the Association and who live or work in the North Somerset area (who would be classed as independent members), however, the Board may limit the number of independent members who are employees or Board members of other housing providers
- leaseholders of North Somerset Council sheltered housing schemes that are managed by the Association provided they are not in breach of their lease (who would be classed as independent members)
- those in receipt of support provided by the Association but who are not tenants of Alliance Homes (who would be classed as independent members)



Objective: Leading, supporting and improving employee performance

Our people

Alliance was awarded the Gold Investors in People Award again in 2016, which is given to just 14 % of organisations in the South West and is awarded for going above and beyond in the way we develop, support and motivate our team. Alliance was first credited with the Gold award in 2013.

In Alliance Homes staff retention has improved and is now within target following the redundancies that were made at the end of 2015.

For Alliance Living Care retention has also improved over last year.

Staff Headcount and Full Time Equivalents

	As at 31.3.17		As at 31.3.16	
	Headcount	FTE	Headcount	FTE
Alliance Homes	317	295	313	298
Alliance Living Care	136	62	118	71

Staff Turnover and Retention

(Retention measures the % of staff with more than 12 months service)

	As at 31.3.17	As at 31.3.16
	Retention	Retention
Alliance Homes	91.6 %	84 %
Alliance Living Care	92.2 %	90.3 %



A full review of staff terms and conditions has been undertaken with the aim of producing a more flexible and modern approach that gives staff greater choice and flexibility whilst meeting the changing needs of the company. These changes will be implemented at an appropriate time which supports the development of Plan A.

During 2016 sickness absence was scrutinised by monthly reporting to senior managers and renewed focus on the Alliance Absence Management Procedure, which uses the Bradford Factor points method to measure and manage absence levels. A significant review of the Absence Management Procedure was carried out during the year, and the procedure was relaunched at the beginning of 2017 with a lower trigger point.

Sickness absence continues to be actively monitored and is used to inform some of our Employee Wellbeing initiatives.

Developing the leadership team at Alliance continues to be a priority and we held our first Leaders Workshop in November which focused on understanding the role and responsibilities of the people manager; understanding the tools available to support managers in their role, and motivating leaders to shape the future of Alliance. Leaders' sessions are now held quarterly with two of them being a full day session off-site.

During 2016 the management development programme was reviewed and in January 2017 the Stronger Better Smarter People Manager Programme was launched which covers all aspects of management and leadership and ensures our leaders have all of the tools they need to succeed.

For 2017 we have reviewed our staff appraisals process, which resulted in some staff having a 'light touch' appraisal. As Plan A is implemented and embedded within the organisation the approach to appraisals will be reviewed further.



Remuneration

Fees paid to Board members are periodically reviewed against the market. They were last reviewed in January 2016, and no changes have been made since then. The level of remuneration was agreed by the Board, having regard to the size of the Group, complexity, resources, and benchmarking information on Board member pay in comparable organisations. Full year equivalent remuneration levels are therefore set as follows:

Role	No. of Board members paid	Payment (£)
Chair	1	£10,000
Vice Chair	1	£5,300
Committee Chair/ALC Board Chair	3	£5,100
Board member	5	£3,300
TOTAL		£47,100

An AHG Board Member was appointed as Chair of the ALC Board with effect from October 2016. Their remuneration is set at the same level as a Committee Chair, reflected in the table above.

The Board sets the pay and benefits of the Group Chief Executive and determines the terms on which the Group Chief Executive can agree other staff salaries.

The executive directors employed during the year are members of the Avon Pension Scheme. They participate in the scheme on the same terms as all other eligible staff. The Association contributes to the scheme on behalf of all eligible staff.

The Group Chief Executive is a member of the Associations Defined Contributions pension scheme, and participates on the same terms as all other eligible staff.

The Interim Director of Finance is employed through a Service Contract and receives no sickness or pension benefits as a result.

The remaining executive directors employed during the year were on largely the same terms as other staff with a longer notice period and they are entitled to a car allowance which is related to salary.

Health and safety

The Alliance Homes Group continues to promote a positive health & safety culture with the aim of providing a working environment that is free of accidents, ill health and loss to property and equipment.

The Safety Compliance team supports the business to continually improve our health and safety performance, apply best practice across the organisation and strive to exceed statutory requirements.

The Health and Safety Committee continues to proactively review the organisation's performance, promote safety, health & environmental initiatives and engage with our workforce at all times.

Our Safety Compliance Audit Programme has developed the performance monitoring of our work activities and the management of landlord compliance regarding asbestos, gas, electrics, legionella and fire safety. The audit results and key performance indicators are reported to the board on a regular basis using a compliance scorecard.

Overall 30 work place accidents were recorded (compared to 40 in 2015/16), 4 of which resulted in time off work (compared to 11 in 2015/16).

There was 1 incident reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) compared to 5 reported incidents in 2015/16. All accidents and incidents are fully investigated to ensure safety standards are maintained and action is taken to prevent reoccurrence.

Pension costs

The Association participates in two pension schemes, the Avon Pension Scheme and a Group Personal Pension Plan administered by Scottish Life. The Avon Pension Scheme is a final salary scheme and was closed to new members on 31 December 2009. The Group Personal Pension Plan is a defined contribution scheme which satisfies auto enrolment requirements and commenced in February 2014. Both offer good benefits for employees.

The Association has funded the Avon Pension Scheme based on an employer contribution level, set by the actuaries, of 19.6%. The triennial actuarial valuation was completed as at March 2013. This shows that the scheme deficit has increased from £552m to £1,005m at March 2013. Our normal contribution level rose to 16.9% in 2016/17 and will increase to 17.9% in 2017/18. Our deficit recovery payments were £92,500 in 2016/17 and £102,400 in 2017/18. The next Triannual Review is due as at 31st March 2016 but had not yet been received at the time of drafting these statements.

The Association contributes twice the employees' contribution up to a maximum of 10% to the defined contribution scheme.



Insurance

The Group's insurance policies indemnify Board Members and directors against liability when acting for the Association.

Accounting policies

The Association's accounting policies are set out on pages 45 to 50 of the financial statements. The policies that are most crucial to the financial results relate to accounting for housing properties including property depreciation, the deduction of capital grant from the cost of assets and accounting for pensions in line with FRS102.

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness. The system of internal control is designed to manage, rather than eliminate the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

The process for identifying, evaluating and managing the significant risks faced by the Association is ongoing and has been in place throughout the period commencing 1 April 2016 up to the date of approval of the financial statements.

Key elements of the control framework include:

- The Rules of the Association, Standing Orders and Financial Regulations.
- Board and Committees approved terms of reference and delegated authorities.
- Board Member Agreements in place (NHF standard form of contract).
- A set of delegated powers detailing the responsibilities of the Group Chief Executive and Executive Team.
- Policies and procedures covering all major areas of activity (including counter fraud, bribery, and corruption and incorporating whistle blowing procedures).
- A risk management strategy with regular external review.
- A risk review and assurance framework for the Group and specific to the activities of Alliance Living Care.
- External audit reports, including presentation of management letters.
- Internal audit strategy and regular programme of internal audit reports provided by independent firm and in accordance with recognised professional standards.
- Annual report provided by the Internal Auditor.
- The 30 year Financial Planning model.



- A Treasury Management Strategy and regular external review of treasury management (TradeRisks).
- An annual budget agreed before the beginning of the financial year.
- Chief Executive reports to every Board covering key issues and governance and regulatory matters impacting the organisation.
- Quarterly management accounts considered by the Board.
- Quarterly reports to the Board on trading areas and key aspects of the Group's performance including regular monitoring of loan covenants.
- Role of the Chair and functions of the Board set out in the Rules of the association.
- Roles and responsibilities of Directors clearly defined.
- Review of the fraud register at each Audit Committee.
- Staff and Board Member Code of Conduct (NHF Code - Conduct Becoming).
- Board member role profile and preferred balance of skills and competencies.
- Standards and Probity Policy (covering declarations of interest, gifts, hospitality and areas covered by the former Schedule 1 of the Housing Act 1986).
- Compliance against NHF codes of governance; and standards; monitored by the Board at least annually.
- Annual Governance Review.
- External review of governance arrangements at least every three years.
- External assessment of compliance with all relevant law (Anthony Collins Solicitors).
- Minutes of the Audit Committee reviewed by the Board in addition to other Committee minutes.
- Report from Chair of the Audit Committee delivered to each subsequent meeting of the Board.
- Monitoring and review from regulator, the Homes and Communities Agency, including annual viability reviews, scheme development audits, and production of regulatory judgements.
- External reports and accreditation, including Investors in People, local authority review of Supporting People services, and specialist development advice where required
- Regulation of consumer credit licence related activities by the Financial Conduct Authority.
- Regulation of Registered Society under the Co-operatives and Community Benefit Societies Act 2014 by the Financial Conduct Authority.
- Service specific commissioned quality reviews
- Management assurance statements on internal control.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit Committee to regularly review the effectiveness of the system of internal control. The Board receives minutes from each Audit Committee meeting.

The Audit Committee has received the report from the Executive Team reviewing the effectiveness of the internal control arrangements, the external audit management letter and the annual report of the internal auditor, and has reported its findings to the Board.

Governance

• Statements of Compliance

We are fully committed to the principles of openness, accountability and competence.

The Board undertakes an annual Governance Review, with the last review was completed in December 2016. This included the outcome of the triennial external review of governance conducted by Campbell Tickell in October 2016. A series of recommendations have been implemented via an Action Plan, which included; a review of performance indicators, delegated authorities to Executive Team, and the appointment of new Alliance Living Care Board Chair. The preferred balance of skills and competencies of Board members was updated to include digital and media skills.

A Board Member Appraisal Action Plan was prepared following the 2016 Board Member appraisals. The Plan was produced to track individual and group actions. As per the NHF Code of Governance, Board Members will have a light touch appraisal in 2017/18 which will involve the Chair reviewing with each Board Member their performance over the last year.

In February 2016 the HCA issued a Regulatory Judgement for Alliance Homes in which the highest ratings for governance (G1) and financial viability (V1) were achieved.

In December 2016 the Board updated its self-assessment of compliance with the NHF Code of Governance 2015. To fully comply with the Code there continues to be a need to amend our Rules to ensure compliance with Parts B3, B4 and D7 of the Code. These relate to the Board's ability to determine its own composition and its size. Discussions with the Council shareholder to address these aspects is ongoing.

During the year an independent review of compliance with the HCA's regulatory requirements was undertaken by consultants HQN. The exercise did not identify any material gaps. The Group has a comprehensive register of assets and liabilities which has been subject to external review by Mazars, no areas of non-compliance were identified.

There have been no substantive changes to the governance structures and committee memberships with the exception of the appointment from within the AHG Board of a new Chair for Alliance Living Care.



• Committees of the Board

The following table sets out the primary roles and key responsibilities of the Board and the committees of the Board:

Committee	Primary Roles	Key Responsibilities
Board	<p>Strategic Leadership</p> <p>Resource and investment planning (property, financial assets and staff)</p> <p>Customer relationships Customer satisfaction Service standards</p>	<ul style="list-style-type: none"> • Corporate Plan • Financial Plan • Value for Money Strategy • Risk Management Strategy • Business Development • Governance and Probity • Health and Safety • Asset Management (including Direct Services) • Housing Development • Treasury Management • Resources Management (Finance, HR and ICT) • Customer Services • Tenancy and Estate Management • Repairs and maintenance services • Equality and Diversity • Care and support services • Community development
Audit Committee	Business Control Improvements	<ul style="list-style-type: none"> • Financial Reporting • Risk Management • Audit and Assurance
Remuneration Committee	Board member and staff remuneration	<ul style="list-style-type: none"> • Staff remuneration • Board member remuneration



- **Board member obligations and responsibilities**

Board Member obligations and responsibilities are set out in the Board Member Role Profile which stipulates the following:

Alliance Homes Group - Board Member Role Profile

General Principles

The Board is collectively responsible for the direction and control of the Alliance Homes Group and each individual Board member must carry out their duties and responsibilities in accordance with the constitution, the law and regulatory requirements.

This document must be read in conjunction with the NHF Code of Governance 2015 and the NHF Code of Conduct 2012, which Alliance Homes Group has signed up to.

All Board members share the same legal status and have equal responsibility for decisions taken that affect the successful delivery of the organisation's Vision and Corporate Objectives.

Each Board member must act only in the best interests of the Alliance Homes Group and not on behalf of any constituency or interest group.

No one that serves as a Board member of the Alliance Homes Group should be in a position to gain or benefit from their dealings with the organisation.

Ways of working

As a minimum, all Board Members must demonstrate a willingness and ability to:

- devote sufficient time to Board work, including preparing for and attending meetings, training sessions and other events as required.
- take personal responsibility for learning and personal development.
- consider and understand documents, tables and statistics.
- contribute to discussion and challenge and ask questions.
- work as part of a group, listening to and respecting the contribution of others.
- be flexible and support collective decisions.
- act professionally, with integrity.
- commit to involving and consulting customers and stakeholders as appropriate and commit to upholding principles and practice of equality and diversity.
- think beyond your own concerns and see the bigger picture.
- be able to respect boundaries between executive (staff or day to day) and strategic governance functions.



Duties and Responsibilities

Board Member duties and responsibilities include:

- setting and ensuring compliance with the Values, Vision, Mission and Strategic Objectives of the Alliance Homes Group, ensuring its long term success.
- establishing a framework for approving strategies, policies and plans to achieve those objectives.
- ensuring continued compliance with the Homes and Communities Agency's Regulatory Framework.
- setting a positive culture with strong customer focus.
- ensuring the organisation operates effectively, efficiently and economically.
- providing oversight, direction and constructive challenge to the organisation's Group Chief Executive and Executives.
- agreeing or ratifying policies on all matters that might create significant financial or other risk to the Alliance Homes Group, or that raise material issues of principle.
- monitoring organisational performance in relation to these strategies, plans, budgets, controls and decisions and also in light of customer feedback and the performance of comparable organisations.
- establishing and monitoring a mechanism for communicating and receiving feedback from the Alliance Homes Group's stakeholders and shareholders.
- leading change and continuous improvement.
- establishing a strong working relationship between the Board, the Group Chief Executive and other Senior Managers.
- appointing (and if necessary) dismissing the Group Chief Executive following agreed procedures, and approve his or her salary, benefits and terms of employment.
- satisfying self that the Alliance Homes Group's affairs are conducted lawfully and in accordance with generally accepted standards of performance, probity, good practice and regulatory requirements.
- satisfying self as to the integrity of financial information, approving each year's budget and financial plan and annual accounts prior to publication.
- establishing, overseeing and reviewing annually a framework of delegation and system of internal control.
- assessing how the Alliance Homes Group follows the recommendations of the NHF Governance Code and stating compliance and non-compliance in its Annual Report and Financial Statements.
- establishing and overseeing a risk management framework in order to safeguard the assets and reputation of the organisation.
- follow the Alliance Homes Group's constitution in appointing (and, if necessary, removing) the Chair of the Board.
- establishing a code of conduct and expected behaviour for the Board, including continued compliance (or otherwise) with the NHF Code of Conduct.
- complying with the obligations for Board member attendance at meetings, induction and other events and training.
- participating in Committees and / or working groups as may be considered reasonable and commensurate with the role.
- acting as ambassadors for the Alliance Homes Group and not taking part or being involved in activities that may bring the organisation into disrepute

The Board has established a Competency and Skills Framework that sets out what the Board will require in order to meet the challenges of delivering the Corporate Plan within a higher risk environment and under a strengthened regulatory regime.

It is not expected that all Board members will possess all of the attributes, but in order to achieve a balanced Board containing an appropriate range of skills and qualities, every effort will be made to ensure the collective constituency of the Board achieves an optimum fit with the requirements set out below.

Personal Qualities

Competency area

- Strong commitment to the Vision and Values of the Alliance Homes Group
- Ability to place the business needs of Alliance Homes before personal interests
- Integrity
- High ethical standard
- Confidence
- Sense of responsibility
- Pragmatic, independent and impartial
- Sensitive, open and honest
- Commitment to service improvement and customer excellence



Behavioural Competencies

This section sets out the key behavioural competencies required from Board members. They represent the personal attributes that support a Board member's approach to a Board related situation. They are intended to support good governance and effective decision-making.

Competency Area	Characteristics
Leadership	<ul style="list-style-type: none"> • Knows when to take a lead and when to follow the lead of others. • Ability to overcome barriers and identify solutions that support the delivery of corporate objectives. • Ability to inspire and motivate others to maximise their talents and abilities. • Displays integrity and leads by example. • Maintains a focus on reaching the decisions required. • Takes personal responsibility and encourages others to do the same. • Seeks to develop others and offer constructive support. • Acts as an ambassador of the organisation, including representation at external events (where appropriate). • Provides a clear vision for the Alliance Homes Group.
Interpersonal / Team Skills	<ul style="list-style-type: none"> • Ability to solve problems, identify potential conflict, and build constructive relationships with fellow Board members. • Strength of character to seek out and obtain satisfactory responses to Board matters. • Is able to understand the written and spoken word, as well as understand the spirit and intention behind proposals. • Communicates with clarity, objectivity and brevity, articulating views without dominating discussions and respecting the views and feelings of others. • Supports principles of collective decision-making. • Promotes trust and effective working relationships with Board members, Executive Team, staff and external bodies. • Encourages and promotes effective relationships with third parties.

Competency Area	Characteristics
Sound Judgement	<ul style="list-style-type: none"> • Ability to consider information from a range of sources, without drawing rash conclusions. • Considers arguments, interpreting and analysing sometimes conflicting information, to form conclusions and an appropriate course of action.
Critical thinking and constructive challenge	<ul style="list-style-type: none"> • Ability to identify strengths and weaknesses in the views of self and others. • Provides thoughtful and reasoned contributions to Board debate. • Questioning of consistency of assumptions, policy and approach. • Ensures that information presented is clear, coherent accurate, and complete, seeking out additional information (to be available in different formats as required to ensure diverse needs are met). • Assertively challenges assumptions and proposals in a constructive manner without aggression or attribution of blame.
Conflict Management	<ul style="list-style-type: none"> • Ability to anticipate potential conflict situations and engineer constructive solutions when such situations arise.
Strategic Thinking and Continuous Improvement	<ul style="list-style-type: none"> • Considers matters for immediate consideration within the context of medium and long term plans. • Introduces knowledge from wider environmental scanning into debate based on awareness of operating context. • Demonstrates business acumen in considering new opportunities. • Has a sound grasp of the need to evaluate and balance risks and benefits when reaching decisions. • Raises innovative and creative suggestions for Board consideration. • Understands and is able to articulate how Board decision-making supports the delivery of the group's medium and long term goals. • Takes personal responsibility for ensuring knowledge remains up to date, particularly relating to Continuous Professional Development where professional level expertise exists.



Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within this Operating and Financial Review. The Group has in place long-term debt facilities (including £27.5m of undrawn facilities at 31 March 2017), which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Group also has a long-term financial plan which shows that currently it is able to service these debt facilities whilst continuing to comply with lender's covenants.

The Board is assured that the Group has sufficient cash to fund its liabilities for the remainder of the forthcoming 12 months from the date of approving and signing these financial statements and that therefore the Group and Association are considered to be a going concern.

Annual General Meeting

The Annual General Meeting will be held on 13 September 2017.

Disclosure of information to auditors

At the date of making this report each of the Group's directors, as set out on page 3, confirm the following:

- so far as each director is aware, there is no relevant information needed by the Group's auditors in connection with preparing their report of which the Group's auditors are unaware;
- each director has taken all the steps that he/she ought to have taken as a director in order to make him/herself aware of any relevant information needed by the Group's auditors in connection with preparing their report and to establish that the Group's auditors are aware of that information.

Auditors

A resolution to re-appoint Beever and Struthers will be proposed at the forthcoming Annual General Meeting.

Approval

The report of the Board of Directors was approved by the Board on 15 August 2017 and signed on its behalf by:

Simon Sweetinburgh
Chair



Table 1 - Highlights

For the year ended 31 March 2017	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Statement of Comprehensive Income				
Total turnover	41,742	39,651	38,455	37,223
Income from lettings	32,296	32,579	32,296	32,579
Operating surplus	10,372	10,250	10,378	10,040
Surplus for the year excluding actuarial gain/(loss)	8,169	8,814	7,148	8,709
Surplus the year including actuarial gain/(loss)	3,873	9,701	2,852	9,596
Statement of Financial Position				
Housing properties, net of depreciation	98,838	93,318	98,838	93,318
Other fixed assets	20,346	20,526	9,967	9,543
Investments	-	-	5,212	6,344
Goodwill	-	333	-	-
Total fixed assets	119,184	114,177	114,016	109,205
Net current assets/(liabilities)	21,004	22,571	23,562	25,958
Debtors due after more than 1 year	-	-	5,000	5,000
Total assets less current liabilities	140,188	136,748	137,578	135,163
Loans (due over one year)	52,500	52,500	52,500	52,500
Pensions liability	11,279	6,636	11,279	6,636
Reserves	60,401	56,528	57,712	54,860
Accommodation figures				
Social housing owned	6,229	6,165	6,229	6,165
Social housing managed	197	201	197	201
Right to Buy leasehold flats	501	499	501	499
Statistics				
Surplus for the year as % of turnover	19.6%	22.0%	21.6%	23.4%
Surplus for the year as % of income from lettings	25.3%	27.1%	25.7%	26.7%
Rent losses - voids	1.4%	1.2%	1.4%	1.2%
Rent losses - Bad Debts Written Off	0.3%	0.4%	0.3%	0.4%
Interest cover (surplus before interest payable divided by interest payable and capitalised interest)	5.7	6.5	5.8	6.4

Statement of the responsibilities of the board

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

Co-operative and Community Benefit Societies Act legislation requires the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard. Under the Co-operative and Community Benefit Societies Act legislation the directors 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 association for that period. In preparing these financial statements, the directors are required to:

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

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that the financial statements comply with:

- the Co-operative and Community Benefit Societies Act 2014
- the Housing and Regeneration Act 2008
- the Accounting Direction for Private Registered Providers of Social Housing 2015

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.

The Board is responsible for ensuring that the report of the Board is prepared in accordance with the Statement of Recommended Practice: Accounting by Registered Social Landlords (2014).

The Board is responsible for the maintenance and integrity of the corporate and financial information on the Association's website.



Independent auditors' report to the members of Alliance Homes

Alliance Homes
INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANCE HOMES

Report of the independent auditors to the members of Alliance Homes

We have audited the financial statements which comprise the Group's and Association's Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is Financial Reporting Standard 102 (FRS102).

This report is made solely to the Association's members, as a body, in accordance with Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the 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's Responsibilities set out on page 37, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council (FRC) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Association's affairs as at 31 March 2017 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Requirements for Private Registered Providers of Social Housing 2015.

In our opinion the information given in the Operating and Financial Review and Board Report for the year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Beever and Struthers

Statutory Auditors
St George's House
215-219 Chester Road
Manchester
M15 4JE

15 August 2017



Consolidated statement of comprehensive income

Alliance Homes
 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR THE YEAR ENDED 31 MARCH 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Turnover	3	41,742	39,651
Operating expenditure	3	(29,133)	(28,907)
Cost of sales	3	(2,237)	(494)
Operating surplus	6	10,372	10,250
Gain on disposal of property, plant & equipment	7	280	346
Decrease in valuation of housing properties		(852)	-
Interest receivable	8	11	19
Interest and financing charges	9	(1,642)	(1,801)
Surplus for the year		8,169	8,814
Actuarial gain/(loss) in respect of pension schemes	10	(4,296)	887
Total comprehensive income for the year		3,873	9,701

The financial statements on pages 47 to 77 were approved by the Board and authorised for issue on 15 August 2017 and signed on its behalf by:

Simon Sweetinburgh
Chair

John Bird
Board Member

Katrina Michael
Company Secretary

Association statement of comprehensive income

Alliance Homes
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2017

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Turnover	3	38,455	37,223
Operating expenditure	3	(25,840)	(26,689)
Cost of sales	3	(2,237)	(494)
Operating surplus	6	10,378	10,040
Gain on disposal of property, plant & equipment	7	280	346
Decrease in valuation of housing properties		(852)	-
Decrease in valuation of investments	14	(1,132)	-
Interest receivable	8	116	124
Interest and financing charges	9	(1,642)	(1,801)
Surplus for the year		7,148	8,709
Actuarial gain/(loss) in respect of pension schemes	10	(4,296)	887
Total comprehensive income for the year		2,852	9,596

The financial statements on pages 47 to 77 were approved by the Board and authorised for issue on 15 August 2017 and signed on its behalf by:

Simon Sweetinburgh
Chair

John Bird
Board Member

Katrina Michael
Company Secretary

Statement of Financial Position for the year to 31 March 2017

Alliance Homes
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR TO 31 MARCH 2017

STATEMENT OF FINANCIAL POSITION FOR THE YEAR TO 31 MARCH 2017

	Note	Consolidated		Association	
		2017 £'000	Restated 2016 £'000	2017 £'000	2016 £'000
Fixed assets					
Tangible fixed assets - housing	13	98,838	93,318	98,838	93,318
Tangible fixed assets - other	13	20,346	20,526	9,966	9,543
Investment in subsidiaries	14	-	-	5,212	6,344
Goodwill	28	-	333	-	-
		119,184	114,177	114,016	109,205
Current assets					
Stock		91	86	91	86
Properties held for sale	15	2,102	211	2,102	211
Trade and other debtors	16	12,564	17,309	17,370	22,837
Cash and cash equivalents	18	12,777	10,993	10,361	8,751
		27,534	28,599	29,924	31,885
less Creditors: amounts falling due within one year	19	(6,530)	(6,028)	(6,362)	(5,927)
Net current assets /(liabilities)		21,004	22,571	23,562	25,958
Total assets less current liabilities		140,188	136,748	137,578	135,163
Creditors: amounts falling due after more than one year	20	(59,106)	(59,056)	(59,185)	(59,139)
Provisions for liabilities:					
Pension provision	10	(11,279)	(6,636)	(11,279)	(6,636)
VAT shelter		(9,402)	(14,528)	(9,402)	(14,528)
Total net assets		60,401	56,528	57,712	54,860
Reserves					
Non-equity share capital	22	-	-	-	-
Income and expenditure reserve		60,401	56,528	57,712	54,860
Total reserves		60,401	56,528	57,712	54,860

The notes on pages 52 to 77 form part of these financial statements.

The financial statements on pages 47 to 77 were approved by the Board and authorised for issue on 15 August 2017 and signed on its behalf by:

Simon Sweetinburgh
Chair

John Bird
Board Member

Katrina Michael
Company Secretary

Statement of changes in reserves

Alliance Homes
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2017

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2017

	Income & expenditure reserve (Restated) £'000
Balance as at 1 April 2015	46,827
Surplus for the year before pension movement	8,814
Actuarial Loss on pension scheme	887
Balance as at 1 April 2016	56,528
Surplus for the year before pension movement	8,169
Actuarial Gain on pension scheme	(4,296)
Balance as at 1 April 2017	60,401

The notes on pages 52 to 77 form part of these financial statements.



Consolidated statement of cash flows

Alliance Homes
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Note	2017 £'000	2016 £'000
Net cash generated from operating activities		13,199	13,985
Cash flow from investing activities			
Purchase of tangible fixed assets		(11,099)	(13,882)
Proceeds from the sale of tangible fixed assets		997	945
Grants reclassified		276	(11)
Interest received		11	19
		<u>(9,815)</u>	<u>(12,929)</u>
Cash flow from financing activities			
Interest paid		(1,451)	(1,550)
Interest element of finance lease rental payments		(8)	(14)
Capital element of finance lease repayments		(141)	(296)
		<u>(1,600)</u>	<u>(1,860)</u>
Net change in cash and cash equivalents		1,784	(804)
Cash and cash equivalents at beginning of year		10,993	11,797
Cash and cash equivalents at end of year		<u>12,777</u>	<u>10,993</u>
Cash flow from operating activities		8,169	8,814
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		4,391	3,931
Impairment of tangible fixed assets		852	-
Amortisation of intangible fixed assets		267	24
(Increase)/Decrease in stock		(5)	10
(Increase) in trade and other debtors		(1,321)	(2,129)
(Decrease)/Increase in trade and other creditors		(923)	1,663
Increase/(Decrease) in provisions		8	(58)
Receipt of donated assets		(4)	-
Pension costs less contributions payable		347	522
Carrying amount of tangible fixed asset disposals		566	268
Adjustments for investing or financing activities:			
Proceeds from the sale of tangible fixed assets		(844)	(614)
Grants repaid		295	1,573
Interest payable		1,412	(19)
Interest received		(11)	
Net cash generated from operating activities		<u>13,199</u>	13,985

The notes on pages 52 to 77 form part of these financial statements.

1 Legal status

NSAH (Alliance Homes) is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a provider of social housing.

2 Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. The accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis of accounting.

The Association is a Public Benefit Entity

The accounts are prepared in £'s and rounded to the nearest thousand.

Basis of consolidation

The Association is required to produce group accounts. These financial statements are group statements and have been prepared by consolidating the results of Alliance Homes with its active subsidiaries:

- Alliance Homes (Ventures) Ltd
- Alliance Living Care Ltd

The Group's financial statements have been prepared in compliance with FRS102.

In preparing the separate financial statements of the parent company, advantage has been taken of the exemption available in FRS102 not to prepare a statement of cash flows.

Going concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. No significant concerns have been noted. We consider it appropriate to continue to prepare the financial statements on a going concern basis.

Turnover

Turnover comprises rental income receivable in the year, income from shared ownership first tranche sales, sales of properties built for sale and other income including goods and services supplied in the year and revenue grants receivable in the year.

Revenue recognition

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 have been met.

Taxation

The Association has charitable status as it is registered as a charitable social landlord under the Co-operative and Community Benefit Societies Act, No: 29804R. Alliance Homes (Ventures) Ltd and Alliance Living Care Ltd are not charitable.

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 102, 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.

2 Accounting policies continued

Value Added Tax

The Association charges value added tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Association and not recoverable from HM Revenue and Customs. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Discussions with HMRC with a view to extending this agreement in order to reclaim VAT on all first cycle components which have not yet been replaced took place during the year, and an agreement was reached to extend the VAT Shelter arrangements for a further 10 years. There is a VAT Shelter Sharing Agreement with North Somerset Council which was part of the Development Agreement. As a result, the VAT incurred on the social housing properties stock improvement programme is recoverable. The balance of the VAT recoverable at the year end is included as a part of the overall net VAT current liability or current asset in the Statement of Financial Position.

Service charges

Alliance Homes operates both fixed and variable service charges on a property by property basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years. This increases or decreases the charges in the year.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents. Until these costs are incurred this liability is held in the balance sheet within creditors.

Interest

Interest is capitalised on borrowings to finance developments to the extent that it accrues in respect of the period of development 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 association 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.

Pensions

The Association participates as an admitted body in the Local Government Pension Scheme administered by Avon Pension Fund, a defined benefit final salary scheme. Pension costs are assessed in accordance with the advice of an independent qualified actuary. The operating costs of providing retirement benefits to participating employees are recognised in the accounting periods in which the benefits are earned. The related finance costs, expected return on assets and any other changes in fair value of the assets and liabilities, are recognised in the accounting period in which they arise. The operating costs, finance costs and expected return on assets are recognised in the income and expenditure account with any other changes in fair value of assets and liabilities being recognised in the statement of total recognised surpluses and deficits.

The Avon Pension Fund scheme was closed to new members from 1 January 2010. The Association operates a defined contribution scheme to provide retirement benefits for all employees joining Alliance Homes after 1 January 2010. Contributions to the scheme are calculated as a percentage of pensionable salary and are charged to the income and expenditure account. Monthly contributions from each member are invested in the scheme in accordance with the wishes of each member.

2 Accounting policies continued**Supporting people**

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Housing properties

Housing properties are principally dwellings available for rent and are stated at cost less depreciation, whether deemed cost or valuation. Cost includes the cost of acquiring land and buildings (including legal fees) and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works which result in an increase in the net rental income stream over the life of the property, thereby enhancing the economic benefits of the assets, are capitalised as improvements. An increase in the net rental stream may arise through an increase in the rental income, a reduction in future maintenance costs, or a significant extension to the life of the property. Only the direct overhead costs associated with new developments or improvements are capitalised.

Impairment

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews when a trigger has occurred. Other assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to the recoverable amount, being the higher of the net realisable value or the value of the use to the group. Any such write down is recognised by a charge to the Statement of Comprehensive Income.

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. Where the land is not related to a specific development and is donated by a public body 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.

Social Housing Grant

Where developments have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in Turnover over the estimated useful life of the associated asset structure (not land), under the accruals model. Social Housing Grant (SHG) received for items of cost written off in the Statement of Comprehensive Income Account is included as part of Turnover.

When SHG in respect of housing properties in the course of construction exceeds the total cost to date of those housing properties, the excess is shown as a current liability.

SHG must be recycled by the Group under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency and Greater London Authority. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

2 Accounting policies *continued*

Grants

Other grants are receivable from local authorities and other organisations. Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

Depreciation of housing properties

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

Structure	1.0%
Roofs	2.0%
Kitchens	5.0%
Bathrooms & external wall insulation	3.3%
Central heating systems	6.7%
Boilers	8.3%
Electrical re-wiring	4.0%

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

Amortisation

Intangible fixed assets (including purchased goodwill) are amortised at rates calculated to write off the assets on a straight line basis over their estimated useful economic lives, not normally to exceed twenty years. Impairment of intangible assets is only reviewed where circumstances indicate that the carrying value of an asset may not be fully recoverable. Current annualised rates used are:

Goodwill	20%
Loan facility fee	4%
Social Housing Grant	1%

Other tangible fixed assets and depreciation

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. The cost of all such items, exceeding £1,000, is capitalised and the principal annual rates used are:

Freehold land	Nil
Freehold offices	a range of 2% to 4%
Furniture, fixtures and fittings	33%
Computers and office equipment	33%
Mobile surgery	20%
Operatives' vans*	33%
Photo-voltaic panels	4%
Photo-voltaic panel convertors	10%

Leased assets

Assets held under finance leases are included in the balance sheet and depreciated over the life of the lease or their estimated useful economic lives in the business, if shorter. The present value of future rentals is shown as a liability.

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

Rentals paid under operating leases are charged to the income and expenditure account as incurred.

Properties for sale

Shared ownership first tranche sales and completed properties for outright sale 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.

* In line with the lease term. If the term is extended further depreciation is charged in line with extended term.

2 Accounting policies continued**Liquid resources**

Cash at bank and investments maturing overnight are classified as liquid resources.

Stock

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

Bad Debt Provision

The bad debt provision is based on recommendations from the Chartered Institute of Public Finance and Accountancy (CIPFA) and has been accepted by our external auditors. The policy has been in place since transfer and is a cautious policy. It provides for debt as follows:

	Provision Made
Former tenant rent debt	100 %
Current tenant rent debt	
Amounts between	
£100 - £250	10 %
£250 - £500	25 %
£500 - £750	50 %
£750 - £1000	75 %
Above £1000	95 %
Sundry debts	100 %

Loan finance issue costs

These are recognised in the Statement of Comprehensive Income in the year in which they are incurred. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the income and expenditure account in the year in which the redemption took place.

Categorisation of Debt

The Group's debt has been treated as "basic" in accordance with paragraphs 11.8 and 11.9 of FRS 102. The Group has some fixed rate loans which have a two-way break clause (i.e. in addition to compensation being payable by a borrower to a lender if a loan is prepaid where the prevailing fixed rate is lower than the existing loan's fixed rate, compensation could be payable by the lender to the borrower in the event that a loan is prepaid and the prevailing fixed rate is higher than the existing loan's fixed rate). The Financial Reporting Council (FRC) issued a statement on 2 June 2016 in respect of such loans with no prescriptive direction as to whether they should be classified as "basic" or "non basic". On the grounds that the Group believes the recognition of each debt liability at cost provides a more transparent and understandable position of the Group's financial position and that each loan still satisfies the requirements of paragraphs 11.8 and 11.9 of FRS 102, the Group has retained its "basic" treatment of its debt following the FRC announcement.

Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the net identifiable assets and liabilities of the acquired company at the date of acquisition. The Goodwill is amortised over a 5 year period on a straight line basis.

Financial instruments

Financial assets and liabilities are all stated at amortised cost.

3 Particulars of turnover, cost of sales, operating expenditure and operating surplus/(deficit) - Group - continuing activities

	2017			2016				
	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus/ deficit £'000	Turnover £'000	Cost of sales £'000	Operating expenditure £'000	Operating surplus/ deficit £'000
Social housing lettings (note 4)	32,296	-	(20,645)	11,651	32,579	-	(20,587)	11,992
Other social housing activities								
Current asset property sales	2,183	(2,237)	-	(54)	556	(494)	-	62
Supporting people services	2,777	-	(3,771)	(994)	2,822	-	(3,901)	(1,079)
Management services	56	-	(77)	(21)	56	-	(76)	(20)
Other	70	-	-	70	46	-	-	46
	5,086	(2,237)	(3,848)	(999)	3,480	(494)	(3,977)	(991)
Non-social housing activities								
Commercial lettings	240	-	(150)	90	213	-	(121)	92
Community regeneration*	214	-	(787)	(573)	103	-	(1,400)	(1,297)
Development costs not capitalised	-	-	(395)	(395)	-	-	(250)	(250)
Electricity generation	1,768	-	(921)	847	1,558	-	(856)	702
Domiciliary care provision	1,745	-	(2,050)	(305)	1,167	-	(1,281)	(114)
Amortisation of goodwill	-	-	(333)	(333)	-	-	(66)	(66)
Other	393	-	(4)	389	551	-	(369)	182
	41,742	(2,237)	(29,133)	10,372	39,651	(494)	(28,907)	10,250

*We hold £140k (2016 - £128k) restricted grant awarded by the Big Local Trust for the Worle Big Local Plan. Against this we have expenditure of £71k (2016 - £43k) which is included here.

3 Particulars of turnover, cost of sales, operating expenditure and operating surplus/(deficit) - Association - continuing activities

	2017			2016				
	Turnover £'000	Cost of sales £'000	Operating expenditure costs £'000	Operating surplus/ (deficit) £'000	Turnover £'000	Cost of sales £'000	Operating expenditure costs £'000	Operating surplus/ (deficit) £'000
Social housing lettings (note 4)	32,296	-	(20,553)	11,743	32,579	-	(20,495)	12,084
Other social housing activities								
Current property asset sales	2,183	(2,237)	-	(54)	556	(494)	-	62
Supporting people contract income	2,777	-	(3,771)	(994)	2,822	-	(3,901)	(1,079)
Management services	56	-	(77)	(21)	56	-	(76)	(20)
Other	70	-	-	70	46	-	-	46
	5,086	(2,237)	(3,848)	(999)	3,480	(494)	(3,977)	(991)
Non-social housing activities								
Commercial lettings	240	-	(150)	90	213	-	(121)	92
Community regeneration*	440	-	(890)	(450)	283	-	(1,477)	(1,194)
Development costs not capitalised	-	-	(395)	(395)	-	-	(250)	(250)
Other	393	-	(4)	389	668	-	(369)	299
Total	38,455	(2,237)	(25,840)	10,378	37,223	(494)	(26,689)	10,040

*We hold £140k (2016 - £128k) restricted grant awarded by the Big Local Trust for the Worle Big Local Plan. Against this we have expenditure of £71k (2016 - £43k) which is included here.

4 Particulars of income and expenditure from social housing lettings - Group

	General housing* £'000	Supported housing £'000	Total 2017 £'000	Total 2016 £'000
Rent receivable net of identifiable service charges	25,715	5,155	30,870	31,118
Service charge income	571	855	1,426	1,461
Other revenue grants	-	-	-	-
Turnover from social housing lettings	26,286	6,010	32,296	32,579
Expenditure on social housing lettings				
Management	(4,490)	(1,012)	(5,502)	(5,619)
Service charge costs	(157)	(1,504)	(1,661)	(1,546)
Routine maintenance	(3,104)	(815)	(3,919)	(4,745)
Planned maintenance	(1,798)	(480)	(2,278)	(2,753)
Major repairs	(3,501)	(903)	(4,404)	(3,159)
Bad debts	(109)	(27)	(136)	(221)
Depreciation of housing properties	(2,222)	(523)	(2,745)	(2,544)
Operating expenditure on social housing lettings	(15,381)	(5,264)	(20,645)	(20,587)
Operating surplus on social housing lettings	10,905	746	11,651	11,992
Voids	(235)	(220)	(455)	(413)

The Association operating surplus on social housing lettings is £92k higher than the Group operating surplus (2016: £92k higher) due to additional management fees within Alliance Homes (Ventures) Ltd and Alliance Living Care Ltd being included in the Group operating surplus.

* Included in General Housing is an immaterial level of income and expenditure attributable to shared ownership properties.

5 Accommodation in management

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

	Group		Association	
	2017 No.	2016 No.	2017 No.	2016 No.
Social housing				
General housing				
- Social rent	4,499	4,509	4,499	4,509
- Affordable rent	484	447	484	447
Supported housing and housing for older people	1,169	1,173	1,169	1,173
Shared ownership	74	36	74	36
Market rented	3	1	3	1
Total owned	6,229	6,166	6,229	6,166
Accommodation managed for others	197	201	197	201
Total managed	6,426	6,367	6,426	6,367

The Group also owns 1,686 (2016: 1,686) garages and 53 (2016: 53) shops and manages 501 (2016: 499) right to buy leasehold flats where the freehold is retained.

6 Operating surplus

This is arrived at after charging:

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Depreciation of housing properties	2,745	2,544	2,745	2,544
Impairment of housing properties	852	0	852	0
Depreciation of other tangible fixed assets	1,646	1,386	1,007	839
Amortisation of loan issue costs	4	4	-	-
Amortisation of goodwill	333	66	-	-
Operating lease rentals				
Land and buildings	8	8	234	191
Auditor's remuneration (excluding VAT)				
Fees payable to the Association's auditors for the audit of the financial statements	16	15	16	15
Fees payable to the Association's auditors for other services:				
Audit of the accounts of subsidiaries	4	4	-	-
Total audit services	20	19	16	15
Tax compliance services	3	3	3	3
Total non-audit services	3	3	3	3

7 Gain on disposal of property, plant and equipment

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Disposal proceeds (net of sums payable to North Somerset District Council)	844	614	844	614
Carrying value of fixed assets	(564)	(268)	(564)	(268)
	280	346	280	346
	153	-	153	-
Disposal Proceeds Fund (note 27)	433	346	433	346

8 Interest receivable

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Interest receivable	11	19	11	19
Income from other investments	-	-	105	105
	11	19	116	124

9 Interest and financing costs

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Finance leases	14	14	14	14
Loans	1,468	1,632	1,468	1,632
Defined benefit pension charge	230	228	230	228
	1,712	1,874	1,712	1,874
Interest payable capitalised on housing properties under construction	(70)	(73)	(70)	(73)
	1,642	1,801	1,642	1,801

10 Employees

Average monthly number of employees (full time equivalents based on 37 hours a week):	Group		Association	
	2017	2016	2017	2016
	No.	No.	No.	No.
Administration	56	52	42	41
Development	4	3	4	3
Housing, support and care	233	245	185	185
Maintenance operatives	64	69	64	69
	357	369	295	298

Employee costs:	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Wages and salaries	9,938	9,912	8,310	8,573
Social security costs	962	849	866	821
Other pension costs	765	771	745	774
	11,665	11,532	9,921	10,168

The Association's employees are members of the Avon Pension Scheme (a defined benefit scheme) or the Scottish Life Pension Fund (a defined contribution scheme). The employees of other Group members are members of the Avon Pension Scheme or NEST (a defined contribution scheme). Further information on the Avon Pension Scheme is below:



10 Employees continued

Avon Pension Scheme

The Avon Pension Scheme (“the scheme”) is a multi-employer scheme which is administered by the Avon Pension Fund under the regulations governing the Local Government Pension Scheme (LGPS), a defined benefit scheme. Triennial actuarial valuations of the pension scheme are performed by an independent, professionally qualified actuary using the projected unit method. The most recent formal actuarial valuation was completed as at 31 March 2016.

Total contributions to the scheme by the Association for the year ended 31 March 2017 were £761k (2016 £859k) of which Employers Contributions totalled £560k (2016: £628k) at a contribution rate of 16.9% (2016 15.8%) of pensionable salaries. This increases to 19.6% when the fund for deficit recovery over 25 years is included.

Estimated employer’s contributions to the scheme during the accounting period commencing on 1 April 2017 are £597k including £102k deficit recovery.

Principal Actuarial Assumptions

The major assumptions used by the actuary in assessing scheme liabilities on an FRS102 basis were:

	2017 % per annum	2016 % per annum
Rate of increase in salaries	3.8	3.5
Rate of increase in pensions in payment	2.3	2.0
Discount rate	2.6	3.5
Inflation assumption - CPI	2.0	2.0
	2017	2016
Non-retired members (retiring in the future in normal health)	S2PA CMI_2015 (1.75%)(94% males)	SIPA CMI_2012 (1.5%) (92% males, 87% females)
	S2PA CMI_2015 (1.5%) (81% females)	
Current members (retired in normal health)	S2PA CMI_2015 (1.75%)(93% males)	SIPA CMI_2012 (1.5%) (94% males, 93% females)
	S2PA CMI_2015 (1.5%) (85% females)	
Life expectancy:		
Of a male(female) future pensioner aged 65 in 20 years’ time	26.0 (28.7)	25.9 (28.9)
Of a male(female) current pensioner aged 65	23.5 (26.0)	23.5 (26.0)
Commutation of pension for lump sum at retirement:		50% take maximum cash, 50% take 3/80ths cash

10 Employees *continued*

Analysis of the amount charged to operating costs in the Statement of Comprehensive Income

	2017	2016
	£'000	£'000
Current Service Costs	663	851
Effect of curtailments or settlements	-	58
Total Operating Charge	663	909
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	739	691
Interest on pension liabilities	(969)	(919)
Amounts charged to financing costs	(230)	(228)
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains/(losses) on pension scheme assets	2,634	(921)
Actuarial gains/(losses) on scheme liabilities	(6,930)	1,808
Actuarial gain/(loss) recognised	(4,296)	887

Fair value of assets

	Fair value	Fair value
	31-Mar-17	31-Mar-16
	£000	£000
Equities	12,509	10,941
Government bonds	2,887	1,627
Other bonds	1,901	2,522
Property	2,093	1,891
Cash/liquidity	289	264
Other	4,378	3,091
	24,057	20,336

10 Employees continued

Changes in present value of defined benefit obligations

	2017	2016
	£'000	£'000
Opening defined benefit obligation	(26,973)	(27,076)
Service cost	(663)	(851)
Interest cost	(969)	(919)
Member contributions	(201)	(231)
Remeasurements	(6,930)	1,808
Benefits paid/transfers paid	399	354
Curtailments	-	(58)
Closing defined benefit obligation	(35,337)	(26,973)

Change in plan assets

	2017	2016
	£'000	£'000
Opening fair value of plan assets	20,336	20,074
Interest on plan assets	739	691
Remeasurements	2,634	(921)
Administration expenses	(14)	(13)
Employer contributions	560	628
Member contributions	201	231
Benefits / transfers paid	(399)	(354)
Closing fair value of plan assets	24,057	20,336

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

	2017	2016
	£'000	£'000
Equities	52 %	54 %
Bonds	12 %	8 %
Other bonds	8 %	12 %
Property	9 %	9 %
Cash / Liquidity	1 %	1 %
Other	18 %	15 %

10 Employees continued

Actual return on plan assets

	2017	2016
	£'000	£'000
Actual return on plan assets	3,570	(230)

Amounts for the current and previous three periods are as follows:

	2017	2016	2015	2014
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(35,337)	(26,973)	(27,076)	(20,729)
Fair value of scheme assets	24,057	20,336	20,074	17,179
Deficit on scheme	(11,280)	(6,637)	(7,002)	(3,550)

11 Key Management Personnel

Key Management Personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Alliance Homes Group Key Management Personnel consist of the Board and the Executive Team.

The aggregate emoluments paid to Board members were £46k (2016: £45k). Expenses paid during the year to Board and committee members amounted to £5k (2016: £2k).

Payments to Board members were as follows:

		2017	2016
Board Chair	Sweetinburgh	10,260	10,996
Board Vice-chair	Bird	5,300	5,300
Board Audit-chair	Martyn-Johns	5,100	5,100
Board	Field	5,100	5,100
Remuneration-chair	Feehily	4,150	3,393
Board Member	Haines	3,300	3,300
Board Member	del Olmo	3,300	3,371
Board Member	McIsaac- Dunne	3,300	3,300
Board Member	Kemp	3,300	2,475
Board Member	Poole	3,300	2,200
		46,410	44,535

The aggregate emoluments paid to the executive officers, including the Chief Executive, during the year were £544k (2016: £505k). The emoluments of the highest paid director, the Chief Executive, excluding pension contributions were £129k (2016: £136k).

The aggregate amount of any compensation paid to executive officers or former executive officers during the year was £38k (2016: nil).

11 Key Management Personnel *continued*

The executive officers, excluding the Chief Executive, participate in the Avon Pension Scheme on the same terms as all other eligible staff. The Chief Executive does not participate in the Avon Pension Scheme. The employer's pension contribution paid on behalf of the Chief Executive amounted to £2k (2016: £18k).

The number of full time equivalent staff whose remuneration payable fell within the following bands were:

	2017	2016
£60,001 - £70,000	6	5
£70,001 - £80,000	-	1
£100,001 - £110,000	2	2
£110,001 - £120,000	2	1
£140,001 - £150,000	-	1

12 Taxation

As a charity the Association is exempt from UK Corporation tax under s505ICTA 1988.

Group

Factors affecting the tax charge for the period

The charge for the year can be reconciled to the Statement of Comprehensive Income as follows:-

	2017	2016
	£'000	£'000
Surplus on ordinary activities - continuing operations	8,186	8,814
Tax on surplus at UK standard tax rate of 20 % (2016: 20 %)	1,637	1,763
Effect of:		
Surplus of charitable entity not subject to Corporation Tax	(1,660)	(1,742)
Expenses not deductible	67	38
Movement in unrecognised deferred tax	(33)	(59)
Tax relief claimed before payment	-	-
Tax charge for the year	-	-

Factors that may affect future periods

A deferred tax liability of £386k (2016: £380k) has not been recognised due to its unlikely crystallization in future years.

13 Tangible fixed assets - housing properties

Group and Association	Social housing properties held for letting	Shared ownership properties held for letting	Housing properties under construction	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2016	98,996	1,143	6,395	106,534
Properties acquired	132	-	6,164	6,296
Works to existing properties	3,464	-	-	3,464
Transfers	6,470	1,766	(8,236)	-
Disposals	(654)	(95)	-	(749)
At 31 March 2017	108,408	2,814	4,323	115,545
Depreciation				
At 1 April 2016	(13,198)	(18)	-	(13,216)
Charged in year	(2,730)	(15)	-	(2,745)
Impairment	(852)	-	-	(852)
Released on disposal	105	1	-	106
At 31 March 2017	(16,675)	(32)	-	(16,707)
Net book value				
At 31 March 2017	91,733	2,782	4,323	98,838
At 31 March 2016	85,798	1,125	6,395	93,318

Included within housing properties is £176k (2016: £178k) for a community hall.

Housing properties comprise:

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Freehold	98,255	92,722	98,255	92,722
Long leasehold	583	596	583	596
	98,838	93,318	98,838	93,318

13 Tangible fixed assets *continued*

Expenditure on works to existing properties

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Improvement works capitalised	270	-	270	-
Components capitalised	3,194	3,345	3,194	3,345
Amounts charged to income and expenditure	3,638	3,159	3,638	3,158
	7,102	6,504	7,102	6,503

Tangible fixed assets - other

Group	Freehold offices	Office & other equip- ment	Motor vehicles	IT equip- ment	Photo- voltaic panels	Total
Cost	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2016						
Additions	10,130	376	673	3,070	12,993	27,242
Disposals	885	1	219	362	-	1,467
	-	(142)	(516)	-	-	(658)
At 31 March 2017	11,015	235	376	3,432	12,993	28,051
Depreciation & Impairment						
At 1 April 2016						
Charged in year	(1,733)	(260)	(560)	(2,114)	(2,049)	(6,716)
Released on disposal	(274)	(46)	(246)	(460)	(620)	(1,646)
	-	142	515	-	-	657
At 31 March 2016	(2,007)	(164)	(291)	(2,574)	(2,669)	(7,705)
Net book value at 31 March 2017	9,008	71	85	858	10,324	20,346
At 1 April 2015	8,397	116	113	956	10,944	20,526

The net book value of assets held under finance leases amounted to £116k (2016 - £140k).

13 Tangible fixed assets *continued*

Association	Freehold offices £'000	Office & other equipment £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
Cost					
At 1 April 2016	10,130	341	665	3,070	14,206
Additions	885	-	215	331	1,431
Disposals	-	(142)	(515)		(657)
At 31 March 2017	11,015	199	365	3,401	14,980
Depreciation & Impairment					
At 1 April 2016	(1,733)	(256)	(560)	(2,114)	(4,663)
Charged in year	(275)	(45)	(245)	(442)	(1,007)
Released on disposal	-	142	515		657
At 31 March 2016	(2,008)	(159)	(290)	(2,556)	(5,013)
Net book value					
31 March 2017	9,007	40	75	845	9,967
At 1 April 2016	8,397	85	105	956	9,543

The net book value of assets held under finance leases amounted to £116k (2016 - £140k)



14 Investment in subsidiaries

As required by statute, the financial statements consolidate the results of Alliance Homes (Ventures) Ltd and Alliance Living Care Ltd which were subsidiaries at the end of the year. The Association has the right to appoint members to the boards of the two subsidiaries and thereby exercises control over them. Alliance Living Care Ltd is registered by the Care Quality Commission and Alliance Homes (Ventures) Ltd is a non-regulated company.

NSAH (Alliance Homes) Ltd is the ultimate parent company.

During the year the Association had the following intra-group transactions:

	2017	2016	
	£'000	£'000	Allocation basis
Alliance Homes (Ventures) Ltd			
Management services	12	12	Time spent
Payment for electricity generated by Alliance Homes (Ventures) Ltd for NSAH (Alliance Homes) Ltd's tenants	103	77	Export tariff received
Roof lease payments	226	180	Legal agreement
	341	269	
Alliance Living Care Ltd			
Overhead recharge	80	80	Time spent

The net assets of Alliance Living Care Ltd at 31 March 2017 were considered to be £212k. It was deemed appropriate that the investment of NSAH (Alliance Homes) Ltd's in Alliance Living Care Ltd should be written down from £1,344k to the value of the net assets. An adjustment of £1,132k has been made accordingly.

15 Properties for Sale

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Shared ownership properties				
Completed properties	2,102	60	2,102	60
Work in progress	-	151	-	151
	2,102	211	2,102	211

16 Debtors

	Group		Association	
	2017	2016 restated	2017	2016
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	2,240	2,117	2,115	2,078
Less: Provision for bad and doubtful debts	(1,268)	(1,260)	(1,266)	(1,258)
	972	857	849	820
Amount due from North Somerset District Council	727	660	455	466
Amount due from subsidiary undertaking	-	-	425	970
Other debtors	403	316	395	283
Prepayments and accrued income	1,060	948	844	770
	3,162	2,781	2,968	3,309
Due after more than one year				
Alliance Homes (Ventures) Ltd	-	-	5,000	5,000
VAT Shelter Agreement	9,402	14,528	9,402	14,528
	9,402	14,528	14,402	19,528
Total debtors	12,564	17,309	17,370	22,837

17 Deferred capital grant

	2017	2016
	£'000	£'000
At 1 April 2016	6,694	6,751
Grant received in the year	276	-
Grant repaid in the year	(296)	-
Grant transferred to Recycled Capital Grant Fund	(16)	-
Grant reclassified in the year	-	(11)
Released to income in the year	(70)	(46)
	6,588	6,694
Amounts to be released within one year	72	69
Amounts to be released in more than one year	6,516	6,625
	6,588	6,694
Total grants received	7,167	6,891
Total grants repaid	(296)	-
Total grants transferred to Recycled Capital Grant Fund	(16)	-
Total grants amortised	(267)	(197)
	6,588	6,694

18 Cash and cash equivalents

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Money market investments	3,525	2,508	3,525	2,508
Cash at bank and in hand	9,252	8,485	6,836	6,243
	12,777	10,993	10,361	8,751

19 Creditors - amounts falling due within one year

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Trade creditors	89	19	85	7
Rent and service charges received in advance	466	219	466	219
Other taxation and social security	225	222	221	216
Amounts owed to North Somerset District Council	1,944	1,586	1,944	1,586
Other creditors	15	10	15	10
Government grants (note 17)	72	69	72	69
Obligations under finance leases	24	123	24	123
Accruals and deferred income	3,695	3,780	3,535	3,697
	6,530	6,028	6,362	5,927

20 Creditors - amounts falling due after more than one year

	Group		Association	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Debt (note 21)	52,500	52,500	52,500	52,500
Less: issue costs	(79)	(83)	-	-
Government Grants (note 17)	6,516	6,625	6,516	6,625
Obligation under finance leases	-	14	-	14
Recycled Capital Grant Fund (note 26)	16	-	16	-
Disposals Proceeds Fund (note 27)	153	-	153	-
	59,106	59,056	59,185	59,139

21 Debt analysis

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Due after more than one year				
Bank loans	52,500	52,500	52,500	52,500
Less issue costs	(79)	(83)	-	-
Total loans	52,421	52,417	52,500	52,500

Based on lenders earliest repayment date, borrowings are repayable as follows:

Five years or more	52,500	52,500	52,500	52,500
--------------------	---------------	---------------	---------------	---------------

£40 million of the loan outstanding is at a fixed rate as follows:

- £10 million until 19/05/25 (interest 1.88 %)
- £10 million until 09/02/26 (interest 0.70 %)
- £10 million until 01/09/31 (interest 3.08 %)
- £10 million until 06/02/36 (interest 4.70 %)

When each of the above fixed rate loans expire they will revert to variable rate and will be repaid, together with the remaining variable loan, between 2019 and 2036.

Loans are secured on the assets of the Association.

22 Non-equity share capital

Group and Association	2017 No	2016 No
Number of members		
At 1 April 2016	32	34
Joining during the year	2	1
Leaving during the year	-	(3)
At 31 March 2017	34	32

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

23 Capital commitments

	Group		Association	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Capital expenditure commitments were as follows:				
Capital expenditure contracted for but not provided in the accounts	9,702	13,820	9,702	13,820
Capital expenditure authorised by the Board but not contracted	13,067	5,145	13,067	5,145

The above commitments will be financed primarily through borrowings which are available for draw-down under existing loan arrangements.

24 Related party transactions

The Alliance Homes Group consists of the following members:

- NSAH (Alliance Homes) Ltd - parent;
- Alliance Homes (Ventures) Ltd - 100 % owned subsidiary;
- Alliance Living Care Ltd - 100 % owned subsidiary.
- Alliance Homes Rented Ltd - 100 % owned subsidiary incorporated 8th September 2016
- Alliance Homes Sales Ltd - 100 % owned subsidiary incorporated 8th September 2016

Intra-group transactions are disclosed in note 14.

Directors who are tenants of the Group are listed on page 2. Their tenancy agreements with Alliance Homes are under normal commercial terms and they are not able to use their position to their advantage. Council nominated board members listed on page 2 are councillors with North Somerset District Council, which has nomination rights over our properties. All transactions with the council are on normal commercial terms and council nominated board members are not able to use their position to their advantage. The total rent charge for the year of tenant Board members was £14,966, with a £7 credit outstanding at the end of the year.

25 Leasing Commitments

Minimum operating lease payments

	Group	
	2017 £'000	2016 £'000
Within one year	8	8
Between one and five years	39	39
After more than 5 years	110	116

Association and Group minimum finance lease payments

	2017 £'000	2016 £'000
	Within one year	243
Between one and five years	-	14

26 Recycled Capital Grant Fund

	£'000
At 1 April 2016	-
Transfer into fund	16
At 31 March 2017	16

27 Disposal Proceeds Fund

	£'000
At 1 April 2016	-
Transfer into fund	153
At 31 March 2017	153

28 Goodwill

Alliance Living Care

Cost	£'000
At 1 April 2016	465
At 31 March 2017	465
Amortisation	
At 1 April 2016	(132)
Charge for the period	(333)
At 31 March 2017	(465)
Net book value	
at 31 March 2017	-
at 31 March 2016	333

The Goodwill has been assessed as having negligible value as at 31 March 2017 and so the amortisation of it was accelerated to amortise the remaining balance during the year.

29 Financial Instruments disclosure

	2017	2016
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost	26,609	29,562
Financial liabilities at amortised cost	59,127	58,471

30 Restatement of Consolidated Debtors

'Other debtors' within Consolidated Debtors was understated in 2016 by £30k due to an error in consolidation whereby the amount owed to Alliance Homes (Ventures) Ltd was omitted. The individual financial statements of each of the Group companies were accurate.



**This information is available
in large print, on audio CD and
in other languages on request.
If you require any of these
services please contact us on:
03000 120 120**

Stronger communities, Better homes, Smarter business

www.alliancehomesgroup.org.uk

NSAH (Alliance Homes) Limited is a 'registered society' trading as Alliance Homes with charitable status (29804R).
Homes and Community Agency registration number L4459. Registered office: 40 Martingale Way, Portishead, BS20 7AW

