



ANNUAL REPORT & FINANCIAL STATEMENTS

YEAR ENDING 31 MARCH 2018



Alliance Homes
Group

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Improving lives and benefitting communities sits at the heart of everything we do at Alliance. It's what makes us tick and what drives our colleagues to come to work every day.



As a community minded housing association, we aim to deliver new homes and trusted landlord, care and support services.

The shortage of homes remains a national crisis and, following the devastating events at Grenfell Tower last year, the spotlight on social housing providers has never been greater.

We continue to be committed to providing safe, high quality, affordable homes and want to ensure our customers have a great experience when using our services.

Over the last couple of years, the Board has carried out a major review of its aspirations, which has led to a new and very ambitious five-year Plan, which we have named Plan A.

Plan A, is underpinned by our three ambitious - we call them 'audacious' - goals.

We want to:

- Deliver a great customer experience with 9/10 customers recommending us to family and friends
- Increase the supply of housing by building 1,000 new homes by 2022
- Help support 1,000 people into employment by 2022.

To achieve this, we are committed to working in partnership with others, as we believe that if we pool resources in the right way we can achieve more for our customers.

Towards the end of 2017, the composition of the Board changed, and we saw the departure of some longstanding Board members, Suzette Del Olmo, Carol Haines and Anne Kemp. I'd like to express my thanks to them for their invaluable contribution and support over the years.

We've also seen changes to the leadership function within the organisation with a new Strategic Leadership Team coming into place during 2017. This is supported by a new Operational Leadership Team whose focus is on the day-to-day running and performance of the business.

Other highlights from the year include:

Homes development

We are just at the outset of delivering our target of 1,000 new homes. We delivered 79 new homes, which exceeded our target of 77. Affordability is a huge issue, so we were pleased that all these homes were sub market products with the majority being for social rent.



Improving customer experience

Our current customer satisfaction index score stands at 86.3%, which is better than the sector average of 75.9%, but we want to do more. This year we merged our Customer Support Centre and the Repairs Hotline to set up the Alliance Contact Team (ACT) which is helping us be more responsive to customer calls and queries. We are making significant investment in our IT and phone systems to make it easier for customers to interact with us in their preferred way.

Home repairs and maintenance

Our home repairs maintenance service continues to perform well, and we progressed work on our new Home Repairs Service - our partnership to deliver home repairs with United Communities and Bristol Community Land Trust (BCLT). Through this partnership we're now delivering repairs for our existing 6,500 homes and an additional 1,800 homes in Bristol owned by United Communities and BCLT.

Helping people into work

Through our various partnerships, we helped 192 people achieve employment against a target of 100 during the year. We also assisted 333 customers to gain a qualification.



Bournville neighbourhood

We own and manage around 70% of the 2019 homes within the Bournville neighbourhood in Weston-Super-Mare, which is roughly 22% of the total number of homes we own and manage. For many years we have invested in supporting community initiatives, and this year we started to take a strategic look at the opportunities that exist to physically regenerate the area. A recent example of our investment in the area has been the innovative refurbishment of Masefield House, formerly used as temporary housing, which is now known as Austen Court, bringing much needed high-quality homes to local people.

Investing in our people

We launched our new AGAME values following extensive consultation with colleagues and members of the Board. Our values set the tone for how we want our colleagues to work and support our customers, and we believe these are integral to us being able to achieve our Plan A goals.

We also began transforming the way our colleagues work by committing to a significant investment in new technology and flexible office accommodation at our main office in Portishead.

2018/19 looks set to be another busy year for Alliance and I would like to express my thanks to all our colleagues, fellow Board members and the many different organisations and groups that support our work.

Simon Sweetinburgh

Chair

Board Members, Strategic Leadership Team, Advisors and Bankers

Board

Simon Sweetinburgh	Chair
John Bird	Vice Chair
Claire Feehily	
Jenny Field	Chair of Remuneration Committee
Andrew Martyn-Johns	Chair of Audit Committee
Carol Haines	<i>(Resigned 06.12.17)</i>
Suzette Del Olmo	<i>(Resigned 06.12.17)</i>
David Poole	
Anne Kemp	<i>(Resigned 13.09.17)</i>
Louise Swain	Group Chief Executive <i>(Appointed 06.12.17)</i>

Strategic Leadership Team

Louise Swain	Group Chief Executive
Julian Paine	Chief Operating Officer
Jane Carne	Director of People and Change
Katrina Michael	Chief Financial Officer
Philippa Armstrong-Owen	Director of Governance and Compliance (Group Company Secretary)

Registered office

40 Martingale Way
Portishead BS20 7AW

Group members

NSAH (Alliance Homes) Limited
Alliance Homes Partnerships Limited
Alliance Homes Rented Limited
Alliance Homes Sales Limited
Alliance Living Care Limited
Alliance Homes (Ventures) Limited

Independent 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 and Hamlins Solicitors LLP
Anthony Collins Solicitors LLP
Clarke Wilmott LLP
Carbon Law Partners

NSAH (Alliance Homes) Limited is a Community Benefit Society incorporated under the Co-operative and Community Benefit Societies Act 2014, registered with the FCA with registration number 29804R.

It is registered with the Homes & Communities Agency, registration number L4459.

Operating and Financial Review and Board Report Incorporating the Strategic Report

The Board and the Strategic Leadership Team are pleased to present the Operating and Financial Review with the audited consolidated financial statements for the year ended 31 March 2018 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).

Results at a glance

The Group surplus for the year is £7.1m (2017: £8.2m). After adjusting for the actuarial surplus on the pension fund of £1.5m (2017: deficit of £4.3m), Group reserves at the year - end were £69.0m (2017: £60.4m). The Group’s Consolidated Statement of Comprehensive Income and Statement of Financial Position are summarised on page 30 and further details of our performance for the year and future plans are set out in this report on pages 4 to 29.

Principal activities

The Group offers a broad range of products and services to meet the housing needs and aspirations of our customers, based on their personal circumstances. This includes a range of housing solutions for those unable to access market priced housing.

We work to make a positive difference to the lives of customers through strengthening communities, working in partnership with others to build capacity, create employment opportunities, and promote independence. We make a significant contribution to local communities through the delivery of housing related support and domiciliary care service provision.

1. Five-year Corporate Strategy: Plan A

During the year, Alliance has been transforming itself following the approval of a new five-year corporate strategy Plan A.

Plan A represents an ambitious and exciting future which builds upon the success of the first twelve years of our organisation. It represents a step-change in the Group's aspirations and the continued fulfilment of Alliance's social purpose.

Plan A defines the Group's sphere of operation as the West of England (wider-Bristol) area whilst protecting core activities within North Somerset. It ensures that services are modernised to meet the expectations of customers, supports the most vulnerable and enables many more people to live in a decent home.

Our purpose: improving lives, benefiting communities.

Our vision: we're a dynamic, fair and community minded housing association delivering new homes and trusted landlord, care and support services.

Our audacious goals:

- A great customer experience – 9/10 customers will recommend us to family and friends
- Increasing the supply of housing – 1,000 new homes delivered by 2022
- Helping people into employment – 1,000 people by 2022

We will achieve this by:

- Being a great proactive and trusted partner
- Being commercially adept – competing and excelling in everything we do
- Investing in our people – creating an agile and trusting organisation culture
- Innovating, and embracing change and technology to constantly improve and maximise efficiency

Our values:

Our values underpin the way we like to do things. These are referred to as AGAME:

- Ambitious for all
- Genuine
- Awake to challenge
- Make the difference
- Effective



2. Our audacious goals

GOAL 1 - A GREAT CUSTOMER EXPERIENCE – 9/10 CUSTOMERS WILL RECOMMEND US TO FAMILY AND FRIENDS

During 2017/18 we continued to survey customers to assess their satisfaction as we have over previous years. This enables us to compare satisfaction levels with those across the private sector as well as with other housing associations. Our target is to achieve top quartile satisfaction as measured by the UK Customer Satisfaction Index (UKCSI). Our current satisfaction score is 86.3 % which is well within the top quartile for the first time.

As our ambition is to be known for “a great customer experience”. Next year will see changes in the way we measure customer experience to allow us to assess our customers’ loyalty to Alliance by finding out how many customers would recommend us to family and friends. We believe that customers will only recommend a service which is consistently good across all areas.

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.

Customer services

During 2017, we merged the Customer Support Centre and the Repairs Hotline to become the Alliance Contact Team (ACT). The team received 96,491 calls in 2017/18 and achieved 85.5 % performance against a target of 85 % of calls answered in 20 seconds and an abandoned call rate of 4.2 % against a target of 5 %.

Webchat/social media

We have received 820 interactions through webchat this year (2016/17: 550). Customers and other stakeholders also engage with us through social media. We expect to see an increase in activity through this channel as we deliver on our audacious goal to provide 1,000 homes, increasing the level of customer interactions in response to proactive communications and other initiatives.

Complaints & compliments

During 2017/18, we received 232 compliments (2016/17: 310) all relating to colleagues, with the majority being about our repairs, support and landlord services.

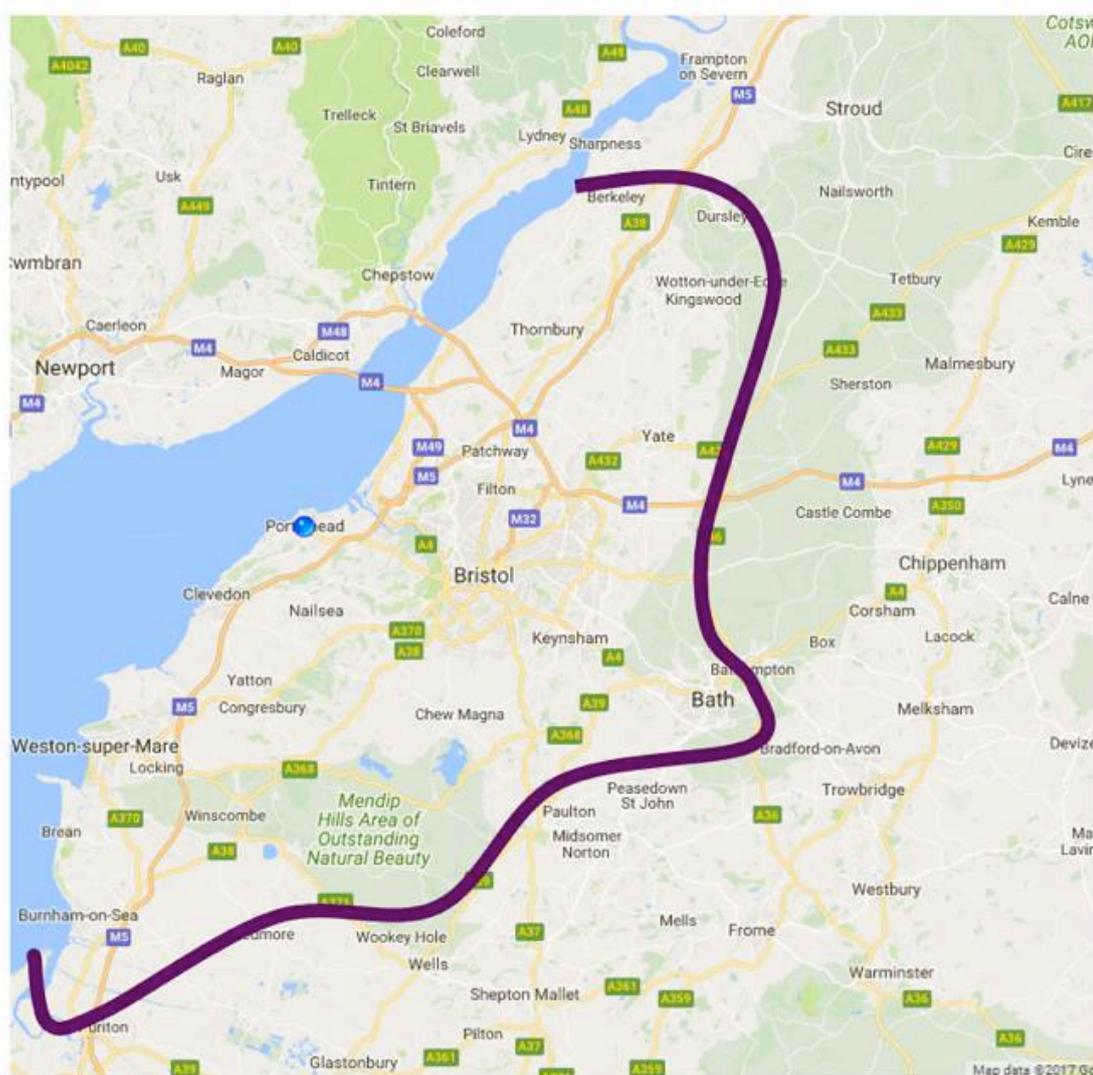
We received 301 complaints (2016/17: 247). We increasingly use data from complaints to inform our service improvement plans.

GOAL 2 - INCREASING THE SUPPLY OF HOUSING – 1000 NEW HOMES DELIVERED BY 2022

Our Board approved a new Development Strategy in December 2017. This lays out our ambitious plans to deliver 1,000 new homes by 2022.

These new homes will consist of both market and sub-market products. Market products will include homes built for market sale to provide subsidy to develop more affordable homes.

Our area of operation is shown in the map below:



During 2017/18, we delivered 79 new home completions, exceeding our corporate target of 77 by two units. At a strategic level, performance is reported in the table below.

Development Performance	Target 2017/18	Actual performance 2017/18
Growth Measures		
New home completions	77	79
Sales completions (units sold)	9	6
Programme budget	£12.3m	£12.5m

Financial performance in 17/18 was positive, although a small overspend is reported because of programme fluctuations and the delivery of two additional units. Overall, the annual budget was exceeded by approximately 1.5 %.

In terms of mix and tenure of homes, we have concentrated our efforts on the delivery of sub-market housing across the West of England. Delivery by Local Authority is shown below.

17/18 completions by Local Authority



We completed eight new homes at Braggs Lane, Bristol, along with a total of 49 new homes in North Somerset across Locking Parklands in Weston-super-Mare, Diamond Batch in Worle, and Arnold's Way in Yatton. Our new developments in South Gloucestershire can be found at Lyde Green and Cromhall.

GOAL 3 - HELPING PEOPLE INTO EMPLOYMENT – 1,000 PEOPLE BY 2022

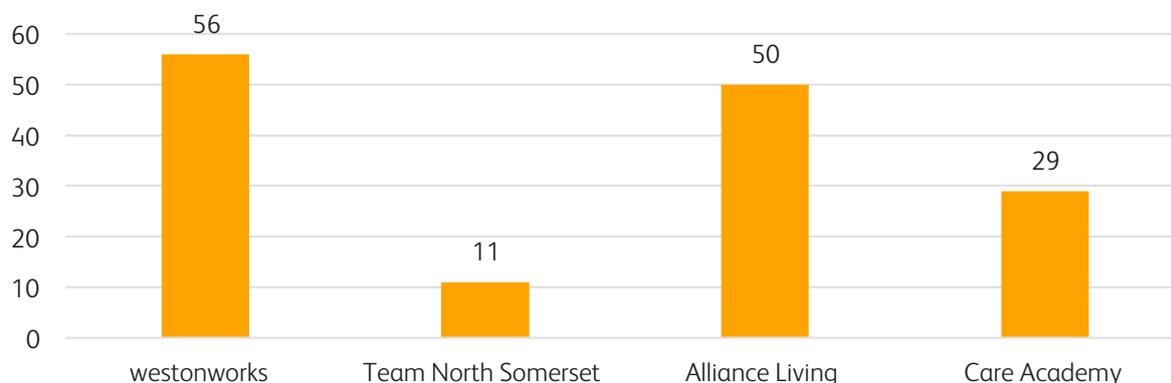
In 2017/18 we have been successful in helping our customers into employment and increasing their skills and confidence, as shown in the performance table below. In 2018, we will be refreshing our Into Work Strategy.

Performance Indicator	Target 2017/18	Actual performance 2017/18
Number of customers helped into employment	100	192
Number of customers helped to gain qualifications	100	333
Number of customers completing employment and skills programmes	300	688

We have also gained external funding and developed effective partnerships to deliver our employment goals. In 2017/18, 62% of the delivery costs were externally funded.

We work with a range of trusted partners; the majority of job outcomes were delivered across four services/partnerships.

Top 4 employment services (employment outcomes) Apr - Dec 2017



Westonworks (38% of employment outcomes)

Westonworks supports people of all abilities into work, volunteering and learning. It works effectively with partners to develop pre-employment training in confidence building, customer service, self-employment and interview skills.

Team North Somerset (7% of employment outcomes)

Team North Somerset is a collaboration of private, public and voluntary organisations working together in partnership to support the people across North Somerset who are facing multiple barriers into employment. Alliance Homes, Weston College and North Somerset Council are the lead organisations.

The model supports people on the journey from social exclusion to participation in education, training and employment.



3. Achieving our goals

As part of our five-year Plan A strategy we have set out how we will achieve our three audacious goals by:

- 3.1 Being a great proactive and trusted partner
- 3.2 Being commercially adept – competing and excelling in everything we do
- 3.3 Investing in our people – creating an agile and trusting organisation culture
- 3.4 Innovation, embracing change and technology to constantly improve and maximise efficiency

3.1 BEING A GREAT PROACTIVE AND TRUSTED PARTNER

Alliance Living Support

Alliance Living Support (ALS) is our support service and comprises three contracts funded by North Somerset Council (Comprehensive Floating Support, Older Persons Floating Support and the Carers Support Service) plus a sub-contract to Salvation Army Housing Association (SAHA -previously Chapter 1) which for 2017-18 gave a combined contract income of £2,597,387.

Additional Charitable funding was received to support the Young Carers Service totalling £53,500. The major contributors were £30,488 from BBC Children in Need and £15,000 from the Nani Huyu Trust.

A legacy payment was also received from Carers Trust Phoenix totalling £89,000 of which 50% (£44,500) was awarded to the Carers Support Service and 50% to Alliance Living Care.

Comprehensive Floating Support and Older Persons Support

These contracts were retendered during 2017 as a merged contract. North Somerset Council subsequently asked Alliance Homes to be the preferred supplier of a 12-month Grant Funded Service from April 2018. The final budget is £1m, a significant budget reduction. The scale of this reduction means it is no longer viable to deliver support in partnership, so we ended our sub-contracts from 31st March 2018.

We will restructure our Support Service in April 2018 and we will embed the current Triage and Assessment team into the Alliance Contact Team (ACT). This will provide an improved customer experience and begins a process to future-proofing our in-house Support Services.

In addition to embedding a triage team into ACT, we have implemented a more streamlined approach to support delivery. A brief intervention approach creates efficiency and increases the numbers of customers we can support.

We have successfully piloted a support worker based within a cluster of local GP surgeries and continue to explore opportunities for Health and Clinical Commissioning Group funding to support growth in this area. We have been working with Citizens Advice and the Healthy Living Centre to explore a partnership bid for funds to grow social prescription initiatives.

Carers Support Contract (Carers Support Alliance)

The Carers Support Contract is about to enter its final year. This contract provides significant added value to young and adult carers across North Somerset, through groups and activities funded by additional charitable income. The service also enables carers to access timely support from a number of volunteer counsellors.





Care Academy (20% of employment outcomes)

With record low levels of unemployment, competition from other sectors for high quality employees and currently unknown implications for the workforce following Brexit, Alliance Living Care (ALC) is seeking different ways to widen their pool of applicants and develop new sources of talent to meet current and future workforce demands.

ALC has developed the Care Academy as an additional recruitment channel to:

- Address a carer shortage and drive an increase in carer candidate numbers for Alliance Living Care (ALC)
- Promote Alliance Living Care brand
- Support the delivery of Alliance Homes audacious goal to help 1,000 people into employment by 2022.

The Care Academy is a bespoke three-week pre-employment academy. It has been designed specifically for Alliance Living Care and is delivered and funded by a range of our partners including Weston College, North Somerset Council's Community Learning Team and Job Centre Plus.

Alliance Living Care

Alliance Living Care (ALC) provides domiciliary care throughout North Somerset and South Bristol.

ALC had a turnover of £2.57m (2016/17: £1.74m). This growth relates to fulfilling 12 months of the North Somerset Council contract, additional hours of care being provided at our Extra Care scheme, Tamar Court, and the steady growth of private customers.

We continue to provide care into Tamar Court, which opened in January 2017 and achieved capacity in the autumn.

Whilst this growth moves us closer to the original proposed operating model that will give us good economies of scale, the proposed operating model is currently being reviewed by the Care Director and ALC Board.

ALC made a loss for the year (£148k), although this is an improved position on the previous year. Throughout the year considerable work has been undertaken to establish all costs associated with care provision and a break-even budget has been approved for the 2018/19 financial year.

3.2 BEING COMMERCIALY ADEPT – COMPETING AND EXCELLING IN EVERYTHING WE DO

Investment in our properties

Our investment of £7.8m for the financial year 2017/18 (2016/17: £7.1m) 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 99.95 % decency and satisfaction with the service across the HQS programmes of work has recorded 98.1 % satisfaction over the year.

Savills, a real estate property specialist, were engaged to carry out a 20 % stock condition validation survey, the outcome of which confirmed the good condition of our housing stock and the investment required to maintain the assets to housing quality standards is included within our Business Plan financial forecast.

Active asset management continues to provide a framework for investment in our existing housing stock. Stock condition data is updated regularly, and a comprehensive asset register is maintained enabling us to prioritise and plan maintenance spend.

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

Investment in energy improvements to customers' homes has seen an average SAP recorded for our assets of 74.4 measured against a national average of 62. This sets the standard for an affordable home model that delivers savings 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 £523k in energy savings for our customers 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 4,849 tonnes recorded across the asset portfolio. The target is to reduce our carbon footprint by 35 % by 2020 and we are ahead of programme delivery with 99 % savings achieved to date.





Repairs and Maintenance

Our repairs and maintenance service delivered further improvements during the year whilst preparing for the transfer into the Cost Sharing Group with United Communities Housing Association and Bristol Community Land Trust. The team undertakes day to day repairs, empty home refurbishments (void repairs), electrical and gas maintenance. In addition, there is a specialist team dealing with disabled adaptations including the installation of wet floor showers, over bath showers and general adaptations which make life more comfortable for vulnerable residents.

Our repairs and maintenance service consistently delivered upper quartile performance for customer satisfaction. For the year ending 2017/18, it has achieved a satisfaction level on works undertaken of 93% compared to the UKCSI of 77%. This performance is a solid upper top quartile position when compared to 1,000 other companies and 130 other housing associations.

A major focus for our service has been to reduce the visits per annum to carry out repairs to each of our homes. This has reduced from an average four repairs a year (2015/16) to a current level of circa 2.5 repairs per year.

During the year our repairs teams completed 17,531 response repairs, prepared 483 empty homes ready for re-let, completed 6,463 gas services (including annual services, voids and mutual exchanges), 2,139 periodic electrical tests and carried out 84 wet floor shower installations.

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

Tenancy services

We deliver our frontline tenancy service through three inter-related teams under a single manager. These teams cover tenancy management, tenancy compliance and the community warden service. Collectively, this enables us to develop our 'A B C' of tenancy sustainment:

Our **Approach**:

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

Our **Beliefs**:

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

Our **Commitment**:

- We will offer the most appropriate advice/ service in any given circumstance
- We will deliver what we say we will in a timely fashion
- We will look elsewhere for help when we cannot provide it ourselves.

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. The emphasis is as much about arrears prevention now as it is arrears recovery.

Rent arrears at the year-end were 1.2% compared to 2017 year-end of 1.3%.



Tamar Court

Tamar Court is our new 65-unit extra care scheme split between shared ownership and rental properties. After a successful opening, all shared ownership properties have been sold and the rental properties have been let.



Value for money

Plan A is all about improving lives and benefitting communities through the best use of our resources – in other words, achieving value for money (VFM).

Our goal for VFM is to make sound business decisions which reflect our Plan A ambitions - to become known for providing a great customer experience and increasing the supply of housing - and for the organisation to be able to respond to changes in the environment in which it operates.

Within Plan A, our approach to value for money is underpinned by four propositions. These are:

- Being a great pro-active and trusted partner
- Being commercially adept, competing and excelling in everything we do
- Investing in our people, creating an agile and trusting organisation culture
- Innovation, embracing change and technology to constantly improve and maximise efficiency

In support of these propositions, Plan A also more explicitly articulates our approach to VFM in the following statements:

We will:

- Only undertake activities that meet our key tests for delivering value
- Confine our growth to new housing, care and support products
- Only invest in commercial / profit generating activities which support core activities
- Grow within our core geographic area (i.e. within a 45-minute radius)
- Move quickly to adopt innovation that has proved effective
- Maximise the available capacity to focus on increasing the supply of housing
- Drive organisational efficiency to proactively maximise resources for the supply of new housing

- Apply a test when considering whether to deliver an activity alone or in partnership
- Have a set of clear metrics / tests with which to assess the performance of activities e.g. financial, performance, community benefit, ethical and commercial tests
- Have clarity on what a great level of service looks like e.g. landlord services to be the top quartile performer in the activities in which it is involved
- Use the metrics to drive performance and efficiency improvements throughout the business
- Have our own approach to continuous service improvement and make investment decisions supported by a strong business case.

We will not:

- Go beyond the contractual relationship or service standards except where it is of benefit to do so or the customer pays for the service
- Allow the organisational structure to impede our drive for efficiency.



VFM is measured by a set of performance metrics at a corporate level which ensure that we achieve our business objectives, compare favourably to peer organisations and remain accountable to our stakeholders and customers. These are reported in the table below.

Metric	Alliance Target 2017/18	Alliance Performance 2017/18	Peer Performance 2016/17	Alliance Performance 2016/17
Reinvestment %	7.2 %	14.0 %		9.9 %
New supply delivered %	0.3 %	1.3 %	TQ – 2.2 % M – 1.0 % LQ – 0.7 %	1.3 % (M)
Gearing %	42 %	37.0 %	TQ – 37 % M – 43.7 % LQ – 58.1 %	40.1 % (M)
EBITDA-MRI: interest cover	4.9	5.6	TQ – 3.0 M – 2.0 LQ – 1.6	6.6 (TQ)
Headline social housing cost per unit	£3,500	£4,062 (i)	TQ - £2,840 (i) M - £3,222 (i) LQ - £3,944 (i)	£3,904 (i) (LQ)
Operating margin Social Housing Lettings %	28 %	30.8 %	TQ – 33.3 % M – 30.4 % LQ – 23.8 %	36.1 % (TQ)
Return on capital employed	4.9 %	6.2 %	TQ – 5.5 M – 4.1 LQ – 3.2	7.6 % (TQ)

(i) Includes Supporting People costs

Audacious goals	Alliance Target 2017/18	Alliance Performance 2017/18
1,000 new homes	77	79
1,000 into employment	100	192
9/10 customers recommend us	9/10	9/10
EBITDA-MRI: interest cover	4.9	5.6

Return on Assets

Our Asset Management Strategy 2018-2023 sets out our plans to be able to maximise the return on our property assets using business cases built on an 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.

3.3 INVESTING IN OUR PEOPLE – CREATING AN AGILE AND TRUSTING ORGANISATION CULTURE

During 2017/18 we commenced our journey of creating an agile and trusting organisation culture to support the delivery of Plan A. We have embedded our AGAME values; introducing a new improved and more modern recognition and reward offer; and moving towards an agile approach to working. This is a period of transformational change for Alliance.

Culture and behaviour

Considerable work was undertaken during the year to review our core values and look at how we can transform our business through organisational change. Our values are:

- **Ambitious for all**
- **Genuine**
- **Awake to challenge**
- **Make the difference**
- **Effective**

3.4 INNOVATION, EMBRACING CHANGE AND TECHNOLOGY TO CONSTANTLY IMPROVE AND MAXIMISE EFFICIENCY

We believe that by investing in an agile workforce who can deliver services to customers in an efficient and effective manner, we can improve customer satisfaction. We are investing in ICT to allow our colleagues to be able to work 'any time, any place, anywhere' to achieve this.

We also recognise that our office accommodation needs to support this and have appointed a designer to work with us to develop a transformed office environment. Over time, this will allow us to reduce our overall office footprint and therefore costs.

Our Director of People and Change heads up the delivery of change. As part of this, we have developed a Project Management Office, which delivers a portfolio of critical projects which will enable Alliance to achieve its strategic transformation. In addition, project managers are coaching and embedding project management skills which will enable colleagues to run smaller projects and will improve overall business skills by allowing our colleagues to manage their time and meeting skills more effectively.



4. 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 10 risks to successful achievement of the Group's objectives showing existing and further mitigating actions are:

Risk name and key controls

National change in fire control measures for flat accommodation resulting in increased costs

- Horizon monitoring
- Regular fire safety checks on all blocks
- Annual gas servicing
- No current blocks are over six floors
- Provision made in budget for potential costs.

Inadequate cash to meet requirements / failure to raise sufficient finance at planned costs to maintain liquidity and meet business plan commitments.

- Treasury strategy reviewed and approved annually by the Board
- Quarterly treasury management reporting
- Stress testing of financial plan considered by Board
- Specialist external treasury advisors, with approach reviewed in response to advice
- Quarterly loan covenant compliance monitoring
- Financial controls / procedures
- Operating market conditions taken into account and details supplied to Board (Quarterly and Annual Trade risks reports)
- Financial Plan takes into account requirements for loan facilities in line with business plan requirements
- Regular stock valuations
- Asset and Liabilities register (including charging register) in place
- Asset cover requirements reporting (quarterly) to Board.

Failure to comply with the General Data Protection Regulation (GDPR)

- Corporate Compliance Manager and GDPR Steering Group
- External support has been procured from Data Protection People
- Project plan
- Member of GDPR South West
- External consultant employed to provide support

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 considered the risks of changes to welfare benefits
- A specialist Income Team has been established and Financial Inclusion Caseworkers work with customers
- There are good links with other agencies to allow customers 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, customers are supplied with support as appropriate
- Incentives are in place to support downsizing.

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.

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.



Employer's pension contributions exceed financial plan projections

- Current assumptions based latest triennial review
- Rates adjusted in line with any actuarial valuation recommendations
- Final salary pension closed, and defined contribution pension introduced
- Regular monitoring of external environment for deterioration
- Provision made for impact of auto-enrolment.

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 colleagues 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 colleagues on data protection.

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.

Failure of the management team to demonstrate strong and effective leadership and management of the organisation

- Governance framework
- Performance management framework
- Management development & leadership programmes
- Executive team reports to the Board regularly.



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 40 to 44 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.

5. Regulation and Corporate Governance

Board 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 Chief Executive Officer and determines the terms on which the Chief Executive Officer can agree other colleagues' salaries.

The Chief Executive Officer and all members of the Strategic Leadership Team are members of the Association's Defined Contribution pension scheme and participates on the same terms as all other eligible colleagues.

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 misstatements or loss.

The Board retains responsibility for a range of issues covering strategic and, operational matters with key elements of the control framework including:

- National Housing Federation Code of Governance 2015, which promotes excellence for Federation members in governing their organisations and being accountable, independent and diverse. The Board has conducted a review of its performance against this Code and can demonstrate compliance with this.
- The Rules of the Association Standing Orders, and Financial regulations, policies and procedures which Board members and colleagues follow cover issues such as delegated authority, procurement, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.
- Financial reporting procedures including annual budget setting and reporting on a quarterly basis to the Board. Long term Strategic Financial Plans are created and reviewed and approved by the Board. These are revised during the year if necessary.
- The Risk Management Strategy and regular external validation of this enables the Board to confirm that there is an on-going process for identifying, evaluating and managing the significant risks faced by the Group. This process has been in place throughout the year under review, up to the date of the annual report.
- External audit reports, including presentation of management letters
- Internal audit strategy and programme of independent internal audits in accordance with recognised professional standards
- Quarterly review by the Board of key performance indicators to assure progress towards the achievement of objectives. Benchmarking of this against national data.
- Quarterly review by the Audit Committee of internal control and risk at each of its meetings during the year, with the risk registers being reviewed by the Boards
- A Fraud Policy and associated register are maintained. The Fraud Register is made available to the Audit Committee
- A report from the Audit Committee and Minutes from the Audit Committee meetings are made available at Board meetings.
- All board members, committee members and colleagues are covered by Directors and Officers Liability insurance through the National Housing Federation to protect them from claims made against them in their capacity as representatives of the organisation.

- The Board has received the Audit Committee's and the Strategic Leadership Team's annual assurance report which includes evidence to support the review of the effectiveness of the systems of internal control. This process involves Directors and Heads of Service reviewing and confirming to the Strategic Leadership Team that throughout the year there were adequate systems of internal control in place. The Strategic Leadership Team provides their assurance to the Audit Committee whose chair provides a report for the Board. This system is supported by evidence to provide the required level of assurance including details of the key policies and internal control systems together with external evidence from internal and external auditors and other key external stakeholders.
- The Board has reviewed the Audit Committee's annual report on the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of the risk management and control process. Where issues have been identified, action plans are in place and will be enacted. Since the year end a new finance system has been implemented. Whilst the Board is satisfied that the new system provides adequate control over the recording and authorisation of transactions, further work is required to develop its reporting capabilities in order to meet the needs of the Association.
- The Regulator of Social Housing (RSH) has confirmed that we are compliant with the Governance and Viability Standard with a Regulatory Judgement of V1/G2.

The Board cannot delegate responsibility for the system of internal control, but it can, and has, delegated to the Audit Committee responsibility for reviewing the effectiveness of the system of internal control.

Group structure

The Alliance Group includes the following:

- NSAH (Alliance Homes) Ltd - our parent company and Social Landlord. It is a Community Benefit Society and owns circa 6,500 properties
- Alliance Living Care Limited - our domiciliary care company. It is a Company Limited by Shares
- Alliance Homes Partnerships Limited t/a Home Repairs Service - a Cost Share Group providing services for Alliance Homes, United Communities and Bristol Community Land Trust. It is a company limited by shares and will commence trading in April 2018.
- Alliance Homes Ventures - a photovoltaic panels business and a company limited by shares
- Alliance Homes Sales limited and Alliance Homes Rented Limited are dormant companies that have never traded
- Carbonsavingsalliance Ltd - a dormant company, dissolved 7 August 2018.



Statement of Board's obligations

Our Board members obligations and responsibilities are set out in Alliance's Board member role profile which states that the Board are collectively responsible for the direction and control of the Alliance Homes Group. Each member is required to carry out their responsibilities in accordance with the constitution, law and regulatory requirements and shares the same legal status and responsibility for decisions taken.

Co-operative and Community Benefit Societies Act legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have prepared financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Co-operative and Community Benefit Societies law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the company and group for that period.

Board members are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and the group and enable them to ensure that the financial statements comply with

- the Co-operative and Community Benefit Societies Act 2014,
- the Housing and Regeneration Act 2008 and
- the Accounting Direction for Social Housing 2015.

They are 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.

Statement of Board's responsibilities

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

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

The Board

Alliance is governed by a Board with a total of seven non-executive Board members and the Chief Executive Officer. The Board members who served during the year and up to the date of signing the financial statements are listed on page 4.

The supervision of how an organisation is run and how it manages the risks to its business is generally referred to by the term 'corporate governance'. This includes regulation, corporate structure and the function of the Board.

The Group complies with the National Housing Federation's 'Code of Governance' 2015 and with the Standards (Regulatory Framework applicable from April 2015 as amended) issued by the Regulator of Social Housing with the exception of the Governance and Financial Viability Standard requirement that Governance arrangements shall ensure Registered Providers adhere to all relevant law. This is due to GDPR Compliance as we are not yet fully GDPR compliant but are working towards being compliant by October 2018.

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 Plan A.

It is not expected that all Board members will have all the attributes, but in order to achieve a balanced Board containing an appropriate range of skills, experiences and qualities, every effort is made to ensure the Board as a collective achieves an optimum fit.

Competencies	Examples
Personal Qualities	<ul style="list-style-type: none"> Commitment to the vision and values Ability to put alliance before personal interests Integrity High ethical standards Confidence Sense of responsibility
Behavioural Competencies	<ul style="list-style-type: none"> Leadership Interpersonal/Team Skills Sound judgment Critical thinking and constructive challenge Conflict management Strategic thinking and continuous improvement

Delegation

The Board of NSAH (Alliance Homes) Limited is responsible for strategy for the Group as well as overseeing its performance. Specific responsibilities have been delegated to committees which have their own approved terms of reference. Day to day performance is delegated to the Strategic Leadership Team. The two committees supporting the Board and governance arrangements during the year were:

Audit Committee – responsible for:

- financial reporting, internal and external audit, internal controls, and assurance
- Monitoring the Group’s risk management and control framework, as set out in the Group Risk Management Strategy.

Governance and Remuneration Committee – responsible for:

- advising the Board on governance
- colleague and Board member remuneration.

Alliance operates a Company Membership Application Policy. This sets out the criteria by which the Board of the Alliance Homes Group (“Company”) considers applications for shareholding membership. At the time of writing this policy is under review with admission to new members being closed at this time. This will be reviewed during the year.

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 2018), 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 25 September 2018.

Disclosure of information to auditors

At the date of making this report each of the Group's directors, as set out on page 4 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 Beaver 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 21 August 2018 and signed on its behalf by:

Simon Sweetinburgh
Chair



For the year ended 31 March 2018

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Statement of Comprehensive Income				
Total turnover	41,954	41,742	37,822	38,455
Income from lettings	32,450	32,296	32,450	32,296
Operating surplus	8,873	10,652	8,290	10,658
Surplus for the year excluding actuarial gain/(loss)	7,112	8,169	6,501	7,148
Surplus the year including actuarial gain/(loss)	8,620	3,873	8,009	2,852
Statement of Financial Position				
Housing properties, net of depreciation	111,254	98,838	111,254	98,838
Other fixed assets	19,803	20,346	10,055	9,966
Investments	0	0	5,070	5,212
Total fixed assets	131,057	119,184	126,379	114,016
Net current assets/(liabilities)	13,017	21,004	14,469	23,562
Debtors due after more than 1 year	0	0	5,000	5,000
Total assets less current liabilities	144,074	140,188	140,848	137,578
Loans (due over one year)	52,500	52,500	52,500	52,500
Pensions liability	10,407	11,279	10,407	11,279
Reserves	69,021	60,401	65,721	57,712
Accommodation figures				
Social housing owned	6,294	6,229	6,294	6,229
Social housing managed	197	197	197	197
Right to Buy leasehold flats	504	501	504	501
Statistics				
Surplus for the year as % of turnover	17.0%	19.6%	17.2%	18.6%
Surplus for the year as % of income from lettings	21.9%	25.3%	20.0%	22.1%
Rent losses - voids	0.9%	1.4%	0.9%	1.4%
Rent losses - Bad Debts Written Off	0.5%	0.4%	0.5%	0.4%
Interest cover (surplus before interest payable divided by interest payable and capitalised interest)	5.0	5.7	4.8	5.8

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 auditor's report to the members of Alliance Homes

Alliance Homes
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ALLIANCE HOMES

Opinion

We have audited the financial statements of Alliance Homes (the Association) and its subsidiaries (the Group) for the year ended 31 March 2018 which comprise the consolidated and Association Statement of Comprehensive Income, the consolidated and Association Statement of Financial Position, the consolidated and Association Statement of Changes in Equity, the consolidated Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies NOTE 2. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Cooperative and Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

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

Responsibilities of the Board

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Use of our report

This report is made solely to the Association's members, as a body, in accordance with section 87(2) of the Cooperative 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.

Beever and Struthers

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

Date: **25 September 2018**



Consolidated statement of comprehensive income

Alliance Homes
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Turnover	3	41,954	41,742
Operating expenditure	3	(30,930)	(29,133)
Cost of sales	3	(2,341)	(2,237)
Gain on disposal of property, plant & equipment	7	190	280
Operating surplus	6	8,873	10,652
Decrease in valuation of housing properties		-	(852)
Interest receivable	8	14	11
Interest and financing charges	9	(1,766)	(1,642)
Surplus before tax		7,121	8,169
Taxation	12	(9)	-
Surplus for the year		7,112	8,169
Actuarial gain/(loss) in respect of pension schemes	10	1,508	(4,296)
Total comprehensive income for the year		8,620	3,873

The financial statements on pages 35 to 66 were approved by the Board and authorised for issue on 21 August 2018 and signed on its behalf by:

Simon Sweetinburgh
Chair

John Bird
Board Member

Philipa Armstrong-Owen
Company Secretary

Association statement of comprehensive income

Alliance Homes
ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 £'000	2017 £'000
Turnover	3	37,822	38,455
Operating expenditure	3	(27,381)	(25,840)
Cost of sales	3	(2,341)	(2,237)
Gain on disposal of property, plant & equipment	7	190	280
Operating surplus	6	8,290	10,658
Decrease in valuation of housing properties		-	(852)
Decrease in valuation of investments	14	(142)	(1,132)
Interest receivable	8	119	116
Interest and financing charges	9	(1,766)	(1,642)
Surplus for the year		6,501	7,148
Actuarial gain/(loss) in respect of pension schemes	10	1,508	(4,296)
Total comprehensive income for the year		8,009	2,852

The financial statements on pages 35 to 66 were approved by the Board and authorised for issue on 21 August 2018 and signed on its behalf by:

Simon Sweetinburgh
Chair

John Bird
Board Member

Philipa Armstrong-Owen
Company Secretary

Statement of financial position for the year to 31 March 2018

Alliance Homes
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR TO 31 MARCH 2018

STATEMENT OF FINANCIAL POSITION FOR THE YEAR TO 31 MARCH 2018

		Consolidated		Association	
	Note	2018	2017	2018	2017
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible fixed assets - housing	13	111,254	98,838	111,254	98,838
Tangible fixed assets - other	13	19,803	20,346	10,055	9,966
Investment in subsidiaries	14	-	-	5,070	5,212
		131,057	119,184	126,379	114,016
Current assets		116	91	116	91
Stock	15	284	2,102	284	2,102
Properties held for sale	16	8,243	12,564	13,028	17,370
Trade and other debtors	17	11,269	12,777	7,749	10,361
Cash and cash equivalents					
		19,912	27,534	21,177	29,924
less Creditors: amounts falling due within one year	18	(6,895)	(6,530)	(6,708)	(6,362)
Net current assets /(liabilities)		13,017	21,004	14,469	23,562
Total assets less current liabilities		144,074	140,188	140,848	137,578
Creditors: amounts falling due after more than one year	19	(59,329)	(59,106)	(59,403)	(59,185)
Provisions for liabilities:					
Pension provision	10	(10,407)	(11,279)	(10,407)	(11,279)
VAT shelter		(5,317)	(9,402)	(5,317)	(9,402)
Total net assets		69,021	60,401	65,721	57,712
Reserves					
Non-equity share capital	22	-	-	-	-
Income and expenditure reserve		69,021	60,401	65,721	57,712
Total reserves		69,021	60,401	65,721	57,712

The financial statements on pages 35 to 66 were approved by the Board and authorised for issue on 21 August 2018 and signed on its behalf by:

Simon Sweetinburgh
Chair

John Bird
Board Member

Philipa Armstrong-Owen
Company Secretary

Statement of changes in reserves

Alliance Homes
STATEMENT OF CHANGES IN RESERVES
FOR THE YEAR ENDED 31 MARCH 2018

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 MARCH 2018

	Income & expenditure reserve £'000
Balance as at 1 April 2016	56,528
Surplus for the year before pension movement	8,169
Actuarial Loss on pension scheme	(4,296)
	<hr/>
Balance as at 1 April 2017	60,401
Surplus for the year before pension movement	7,112
Actuarial gain on pension scheme	1,508
	<hr/>
Balance as at 31 March 2018	69,021
	<hr/>

The notes on pages 40 to 66 form part of these financial statements.



Consolidated statement of cash flows

Alliance Homes
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Note	2017	2016
		£'000	£'000
Net cash generated from operating activities		14,357	13,199
Cash flow from investing activities			
Purchase of tangible fixed assets		(16,712)	(11,099)
Proceeds from the sale of tangible fixed assets		1,418	997
Grants received		680	-
Investment in subsidiary		-	276
Interest received		14	11
		(14,600)	(9,815)
Cash flow from financing activities			
Interest paid		(1,438)	(1,451)
Interest element of finance lease rental payments		(4)	(8)
Capital element of finance lease repayments		177	(141)
		(1,265)	(1,600)
Net change in cash and cash equivalents		(1,508)	1,784
Cash and cash equivalents at beginning of year		12,777	10,993
Cash and cash equivalents at end of year	17	11,269	12,777
Surplus for the year		7,112	8,169
Adjustments for non-cash items:			
Depreciation of tangible fixed assets		4,600	4,391
Impairment of tangible fixed assets		-	852
Amortisation of intangible fixed assets		(61)	267
(Increase) in stock		(25)	(5)
Decrease/(Increase) in trade and other debtors		2,442	(1,321)
(Decrease) in trade and other creditors		(1,622)	(923)
Increase/(Decrease) in provisions		-	8
Receipt of donated assets		-	(4)
Pension costs less contributions payable		349	347
Carrying amount of tangible fixed asset disposals		241	566
Adjustments for investing or financing activities:			
Proceeds from the sale of tangible fixed assets		(1,418)	(844)
Grants repaid		987	295
Interest payable		1,766	1,412
Interest received		(14)	(11)
Net cash generated from operating activities		14,357	13,199

The notes on pages 40 to 66 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.

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.

Interest on any borrowings associated with business improvement initiatives is also capitalised.

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 and investments 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 England. 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%
Doors	4.0%

Freehold land is not depreciated.

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:

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%
Office refurbishment	over a period of 7 years
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, 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	95%
Current tenant rent debt	
Amounts between	
£100 - £250	10%
£250 - £500	25%
£500 - £750	50%
£750 - £1000	75%
Above £1000	95%

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.

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

	2018		2017		
	Turnover	Cost of sales	Operating expenditure	Operating Surplus	Turnover
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 4)	32,450	-	(22,447)	10,003	32,296
Other social housing activities					
Current asset property sales	2,229	(2,341)	-	(112)	2,183
Supporting people services	2,047	-	(3,454)	(1,407)	2,777
Management services	58	-	(100)	(42)	56
Other	66	-	-	66	70
	<u>4,400</u>	<u>(2,341)</u>	<u>(3,554)</u>	<u>(1,495)</u>	<u>5,086</u>
					<u>(2,237)</u>
					<u>(3,848)</u>
					<u>(999)</u>
Non-social housing activities					
Commercial lettings	270	-	(129)	141	240
Community regeneration*	191	-	(802)	(611)	214
Development costs not capitalised	-	-	(426)	(426)	-
Electricity generation	1,792	-	(911)	881	1,768
Domiciliary care provision	2,567	-	(2,661)	(94)	1,745
Amortisation of goodwill	-	-	-	-	-
Other	284	-	-	284	393
	<u>41,954</u>	<u>(2,341)</u>	<u>(30,930)</u>	<u>8,683</u>	<u>41,742</u>
					<u>(2,237)</u>
					<u>(29,133)</u>
					<u>10,372</u>

*We hold £224k (2017 - £140k) restricted grant awarded by the Big Local Trust for the Worle Big Local Plan. Against this we have expenditure of 144k (2017 - £71k) which is included here.

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

	2018		2017		
	Turnover	Cost of sales	Operating expenditure	Operating surplus	Turnover
	£'000	£'000	£'000	£'000	£'000
Social housing lettings (note 4)	32,450	-	(22,382)	10,068	32,296
Other social housing activities					
Current property asset sales	2,229	(2,341)	-	(112)	2,183
Supporting people contract income	2,047	-	(3,454)	(1,407)	2,777
Management services	58	-	(100)	(42)	56
Other	66	-	-	66	70
	4,400	(2,341)	(3,554)	(1,495)	5,086
					(2,237)
					(3,848)
Non-social housing activities					
Commercial lettings	270	-	(129)	141	240
Community regeneration*	418	-	(890)	(472)	440
Development costs not capitalised	-	-	(426)	(426)	-
Other	284	-	-	284	393
	37,822	(2,341)	(27,381)	8,100	38,455
					(2,237)
					(25,840)
Total					
	37,822	(2,341)	(27,381)	8,100	38,455
					(2,237)
					(25,840)
					10,378

*We hold £224k (2017 - £140k) restricted grant awarded by the Big Local Trust for the Worle Big Local Plan. Against this we have expenditure of £144k (2017 - £71k) which is included here.

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

	General housing* £'000	Supported housing £'000	Total 2018 £'000	Total 2017 £'000
Rent receivable net of identifiable service charges	25,502	5,295	30,797	30,870
Service charge income	917	736	1,653	1,426
Other revenue grants	-	-	-	-
Turnover from social housing lettings	26,419	6,031	32,450	32,296
Expenditure on social housing lettings				
Management	(5,434)	(1,214)	(6,648)	(5,502)
Service charge costs	(222)	(1,815)	(2,037)	(1,661)
Routine maintenance	(2,737)	(720)	(3,457)	(3,919)
Planned maintenance	(1,297)	(341)	(1,638)	(2,278)
Major repairs	(4,434)	(1,143)	(5,577)	(4,404)
Bad debts	(131)	(31)	(162)	(136)
Depreciation of housing properties	(2,370)	(558)	(2,928)	(2,745)
Operating expenditure on social housing lettings	(16,625)	(5,822)	(22,447)	(20,645)
Operating surplus on social housing lettings	9,794	209	10,003	11,651
Voids	(148)	(152)	(300)	(455)

The Association's operating surplus on social housing lettings is £65k higher than the Group's operating surplus (2017: £92k higher) due to additional management fees within Alliance Homes (Ventures) Ltd and Alliance Living Care Ltd being consolidated out of 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	
	2018 No.	2017 No.	2018 No.	2017 No.
Social housing				
General housing				
- Social rent	5,597	4,499	5,597	4,499
- Affordable rent	513	484	513	484
Supported housing and housing for older people	97	1,169	97	1,169
Shared ownership	84	74	84	74
Market rented	3	3	3	3
Total owned	6,294	6,229	6,294	6,229
Accommodation managed for others	197	197	197	197
Total managed	6,491	6,426	6,491	6,426

The Group also owns 1,686 (2017: 1,686) garages and 54 (2017: 53) shops and manages 504 (2017: 501) right to buy leasehold flats where the freehold is retained.

6 Operating surplus

This is arrived at after charging:

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Depreciation of housing properties	2,928	2,745	2,928	2,745
Impairment of housing properties	-	852	-	852
Depreciation of other tangible fixed assets	1,671	1,646	1,040	1,007
Amortisation of loan issue costs	4	4	-	-
Amortisation of goodwill	-	333	-	-
Operating lease rentals				
Land and buildings	8	8	235	234
Auditor's remuneration (excluding VAT)				
Fees payable to the Association's auditors for the audit of the financial statements	15	16	15	16
Fees payable to the Association's auditors for other services:				
Audit of the accounts of subsidiaries	4	4	-	-
Total audit services	19	20	15	16
Tax compliance services	-	3	-	3
Total non-audit services	-	3	-	3

7 Gain on disposal of property, plant and equipment

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Disposal proceeds (net of sums payable to North Somerset District Council)	439	844	439	844
Carrying value of fixed assets	(249)	(564)	(249)	(564)
	190	280	190	280
Disposal Proceeds Fund (note 27)	-	153	-	153
	190	433	190	433

8 Interest receivable

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest receivable	14	11	14	11
Income from other investments	-	-	105	105
	14	11	119	116

9 Interest and financing costs

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Finance leases	4	14	4	14
Loans	1,476	1,468	1,476	1,468
Defined benefit pension charge	286	230	286	230
	1,766	1,712	1,766	1,712
Interest payable capitalised on housing properties under construction	-	(70)	-	(70)
	1,766	1,642	1,766	1,642

10 Employees

Average monthly number of employees (full time equivalents based on 37 hours a week):	Group		Association	
	2018	2017	2018	2017
	No.	No.	No.	No.
Administration	61	56	42	42
Development	4	4	4	4
Housing, support and care	276	233	177	185
Maintenance operatives	63	64	63	64
	404	357	286	295

Employee costs:	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Wages and salaries	10,420	9,938	8,215	8,310
Social security costs	957	962	821	866
Other pension costs	760	765	721	745
	12,137	11,665	9,757	9,921

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 2018 were £740k (2017 £761k) of which Employers Contributions totalled £561k (2017: £560k) at a contribution rate of 17.9% (2017 16.9%) of pensionable salaries. This increases to 20.0% 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 2018 are £724k including £112k deficit recovery.

Principal Actuarial Assumptions

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

	2018	2017
	% per annum	% per annum
Rate of increase in salaries	3.6	3.8
Rate of increase in pensions in payment	2.2	2.3
Discount rate	2.7	2.6
Inflation assumption - CPI	2.1	2.0
Post retirement mortality assumptions:		
	2018	2017
Non-retired members (retiring in the future in normal health)	94 % S2PA CMI_2015 (1.75 %) (males)	S2PA CMI_2015 (1.75 %)(94 % males)
	81 % S2PA CMI_2015 (1.5 %) (females)	S2PA CMI_2015 (1.5 %) (81 % females)
Current members (retired in normal health)	93 % S2PA CMI_2015 (1.75 %) (males)	S2PA CMI_2015 (1.75 %)(93 % males)
	85 % S2PA CMI_2015 (1.5 %) (females)	S2PA CMI_2015 (1.5 %) (85 % females)
Life expectancy:		
Of a male(female) future pensioner aged 65 in 20 years’ time	26.2 (28.8)	26.0 (28.7)
Of a male(female) current pensioner aged 65	23.6 (26.1)	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

	2018	2017
	£'000	£'000
Current Service Costs	897	663
Effect of curtailments or settlements	-	-
Total Operating Charge	897	663
Analysis of pension finance income/(costs)		
Expected return on pension scheme assets	628	739
Interest on pension liabilities	(914)	(969)
Amounts charged to financing costs	(286)	(230)
Amount of gains and losses recognised in the Statement of Comprehensive Income		
Actuarial gains/(losses) on pension scheme assets	(168)	2,634
Actuarial gains/(losses) on scheme liabilities	1,676	(6,930)
Actuarial gain/(loss) recognised	1,508	(4,296)

Fair value of assets

	Fair value	Fair value
	31-Mar-18	31-Mar-17
	£000	£000
Equities	10,109	12,509
Government bonds	2,669	2,887
Other bonds	445	1,901
Property	2,200	2,093
Cash/liquidity	890	289
Other	8,404	4,378
	24,717	24,057

10 Employees continued

Changes in present value of defined benefit obligations

	2018	2017
	£'000	£'000
Opening defined benefit obligation	(35,337)	(26,973)
Service cost	(897)	(663)
Interest cost	(914)	(969)
Member contributions	(179)	(201)
Remeasurements	1,676	(6,930)
Benefits paid/transfers paid	527	399
Curtailments	-	-
Closing defined benefit obligation	(35,124)	(35,337)

Change in plan assets

	2018	2017
	£'000	£'000
Opening fair value of plan assets	24,057	20,336
Interest on plan assets	628	739
Remeasurements	(168)	2,634
Administration expenses	(13)	(14)
Employer contributions	561	560
Member contributions	179	201
Benefits / transfers paid	(527)	(399)
Closing fair value of plan assets	24,717	24,057

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

	2018	2017
	£'000	£'000
Equities	41 %	52 %
Bonds	11 %	12 %
Other bonds	2 %	8 %
Property	9 %	9 %
Cash / Liquidity	3 %	1 %
Other	34 %	18 %



10 Employees continued

Actual return on plan assets

	2018	2017
	£'000	£'000
Actual return on plan assets	460	3,570

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

	2018	2017	2016	2015
	£'000	£'000	£'000	£'000
Present value of defined benefit obligation	(35,124)	(35,337)	(26,973)	(27,076)
Fair value of scheme assets	24,717	24,057	20,336	20,074
Deficit on scheme	(10,407)	(11,280)	(6,637)	(7,002)

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 £44k (2017: £46k). Expenses paid during the year to Board and committee members amounted to £2k (2017: £5k).

Payments to Board members were as follows:

		2018	2017
Chair	S. Sweetingburgh	10,254	10,260
Vice chair	J. Bird	5,300	5,300
Audit – chair	A. Martyn-Johns	5,100	5,100
Remuneration – chair	J. Field	5,100	5,100
Alliance Living Care – chair	C. Feehily	5,100	4,150
Board Member	C. Haines	2,725	3,300
Board Member	S. del Olmo	2,475	3,300
Board Member	M. McIsaac-Dunne	3,300	3,300
Board Member	A. Kemp	1,493	3,300
Board Member	D. Poole	3,300	3,300
		44,147	46,410

The aggregate emoluments paid to the executive officers, including the Chief Executive, during the year were £546k (2017: £544k).

	2018	2017
	£'000	£'000
Basic Salary	408	370
Benefits in Kind	14	36
Employers NIC	55	54
Pension Contributions	28	46
Compensation in respect of loss of office	41	38
	546	544

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £149k (2017: £129k). The 2017 figure for the Chief Executive represents ten months, from commencement part way through the year.

	2018	2017
	£'000	£'000
Basic Salary	122	105
Benefits in Kind	10	10
Employers NIC	17	14
	149	129

The aggregate amount of any compensation paid to executive officers or former executive officers during the year was £41k (2017: £38k).

11 Key Management Personnel *continued*

The executive officers including the Chief Executive Officer participate in the defined contribution pension scheme at the same contribution levels as all eligible staff. They do not participate in the Avon Pension Scheme. The employer's pension contribution paid on behalf of the Chief Executive amounted to £2k (2017: £2k).

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

	2018	2017
£60,001 - £70,000	6	6
£70,001 - £80,000	1	-
£100,001 - £110,000	-	2
£110,001 - £120,000	1	2
£130,001 - £140,000	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:-

	2018 £'000	2017 £'000
Surplus on ordinary activities - continuing operations	7,121	8,186
Tax on surplus at UK standard tax rate of 20 % (2016: 20 %)	1,353	1,637
Effect of:		
Surplus of charitable entity not subject to Corporation Tax	(1,342)	(1,660)
Expenses not deductible	-	67
Movement in unrecognised deferred tax	(11)	(33)
Tax relief claimed before payment	9	-
Tax charge for the year	9	-

Factors that may affect future periods

A deferred tax liability of £401k (2017: £386k) 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 £'000	Shared ownership properties held for letting £'000	Housing properties under construction £'000	Total £'000
Cost				
At 1 April 2017	108,408	2,814	4,323	115,545
Properties acquired	80	-	12,060	12,140
Works to existing properties	3,444	-	-	3,444
Transfers	6,708	698	(7,406)	-
Disposals	(347)	-	-	(347)
At 31 March 2018	118,293	3,512	8,977	130,782
Depreciation				
At 1 April 2017	(16,675)	(32)	-	(16,707)
Transfer in year	852	(852)	-	-
Charged in year	(2,902)	(26)	-	(2,928)
Impairment	-	-	-	-
Released on disposal	107	-	-	107
At 31 March 2018	(18,618)	(910)	-	(19,528)
Net book value				
At 31 March 2018	99,675	2,602	8,977	111,254
At 31 March 2017	91,733	2,782	4,323	98,838

Included within housing properties is £175k (2017: £176k) for a community hall.

Housing properties comprise:

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Freehold	110,684	98,255	110,684	98,255
Long leasehold	570	583	570	583
	111,254	98,838	111,254	98,838

13 Tangible fixed assets *continued*

Expenditure on works to existing properties

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Improvement works capitalised	-	270	-	270
Components capitalised	3,444	3,194	3,444	3,194
Amounts charged to income and expenditure	4,413	3,638	4,413	3,638
	7,857	7,102	7,857	7,102

Tangible fixed assets - other

Group	Freehold offices	Office & other equip- ment	Motor vehicles	IT equip- ment	Photo- voltaic panels	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2017	11,015	235	376	3,432	12,993	28,051
Additions	78	21	285	746	-	1,130
Disposals	-	(81)	(260)	-	-	(341)
Transfers	-	(36)	-	36	-	-
At 31 March 2018	11,093	139	401	4,214	12,993	28,840
Depreciation & Impairment						
At 1 April 2017	(2,007)	(164)	(291)	(2,574)	(2,669)	(7,705)
Charged in year	(288)	(37)	(172)	(554)	(620)	(1,671)
Released on disposal	-	81	258	-	-	339
Transfers	-	5	-	(5)	-	-
At 31 March 2018	(2,295)	(115)	(205)	(3,133)	(3,289)	(9,037)
Net book value at 31 March 2018	8,798	24	196	1,081	9,704	19,803
At 31 March 2017	9,008	71	85	858	10,324	20,346

The net book value of assets held under finance leases amounted to £202k (2017 - £87k).

13 Tangible fixed assets *continued*

Association	Freehold offices	Office & other equipment	Motor vehicles	IT equipment	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2017	11,015	199	365	3,401	14,980
Additions	78	21	285	744	1,128
Disposals	-	(81)	(258)	-	(339)
At 31 March 2018	11,093	139	392	4,145	15,769
Depreciation & Impairment					
At 1 April 2017	(2,008)	(159)	(290)	(2,556)	(5,013)
Charged in year	(288)	(37)	(171)	(544)	(1,040)
Released on disposal	-	81	258	-	339
At 31 March 2018	(2,296)	(115)	(203)	(3,100)	(5,714)
Net book value					
31 March 2018	8,797	24	189	1,045	10,055
At 31 March 2017	9,007	40	75	845	9,967

The net book value of assets held under finance leases amounted to £202k (2017 - £87k).



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:

	2018	2017	
	£'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	88	103	Export tariff received
Roof lease payments	227	226	Legal agreement
	327	341	
Alliance Living Care Ltd			
Overhead recharge	53	80	Agreed management fee

The net assets of Alliance Living Care Ltd at 31 March 2018 were considered to be £70k. It was deemed appropriate that the investment of NSAH (Alliance Homes) Ltd in Alliance Living Care Ltd should be written down from £212k to the value of the net assets. An adjustment of £142k has been made accordingly.

15 Properties for Sale

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Shared ownership properties				
Completed properties	284	2,102	284	2,102
Work in progress	-	-	-	-
	284	2,102	284	2,102

16 Debtors

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Due within one year				
Rent and service charges receivable	2,148	2,240	1,952	2,115
Less: Provision for bad and doubtful debts	(1,394)	(1,268)	(1,320)	(1,266)
	754	972	632	849
Amount due from North Somerset District Council	427	727	79	455
Amount due from subsidiary undertaking	-	-	497	425
Other debtors	625	403	622	395
Prepayments and accrued income	1,120	1,060	881	844
	2,926	3,162	2,711	2,968
Due after more than one year				
Alliance Homes (Ventures) Ltd	-	-	5,000	5,000
VAT Shelter Agreement	5,317	9,402	5,317	9,402
	5,317	9,402	10,317	14,402
Total debtors	8,243	12,564	13,028	17,370

17 Cash and cash equivalents

	Group		Association	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Money market investments	2,521	3,525	2,521	3,525
Cash at bank and in hand	8,748	9,252	8,748	6,836
	11,269	12,777	11,269	10,361

18 Creditors - amounts falling due within one year

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Trade creditors	(1)	89	(2)	85
Rent and service charges received in advance	597	466	597	466
Other taxation and social security	239	225	201	221
Amounts owed to North Somerset District Council	1,948	1,944	1,948	1,944
Other creditors	32	15	27	15
Government grants (note 17)	66	72	66	72
Obligations under finance leases	152	24	152	24
Accruals and deferred income	3,862	3,695	3,719	3,535
	6,895	6,530	6,708	6,362

19 Creditors - amounts falling due after more than one year

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Debt (note 21)	52,500	52,500	52,500	52,500
Less: issue costs	(74)	(79)	-	-
Government Grants (note 17)	6,686	6,516	6,686	6,516
Obligation under finance leases	48	-	48	-
Recycled Capital Grant Fund (note 26)	16	16	16	16
Disposals Proceeds Fund (note 27)	153	153	153	153
	59,329	59,106	59,403	59,185



20 Deferred capital grants

	2018	2017
	£'000	£'000
At 1 April 2017	6,588	6,694
Grant received in the year	230	276
Grant repaid in the year	-	(296)
Grant transferred to Recycled Capital Grant Fund	-	(16)
Released to income in the year	(66)	(70)
	6,752	6,588
	66	72
Amounts to be released within one year	6,686	6,516
Amounts to be released in more than one year	6,752	6,588
	6,752	6,588
	6,752	6,588
Total grants received	7,397	7,167
Total grants repaid	(296)	(296)
Total grants transferred to Recycled Capital Grant Fund	(16)	(16)
Total grants amortised	(333)	(267)
	6,752	6,588



21 Debt analysis

	Group		Association	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Due after more than one year				
Bank loans	52,500	52,500	52,500	52,500
Less issue costs	(74)	(79)	-	-
Total loans	52,426	52,421	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
Undrawn facilities	27,500	27,500	27,500	27,500

£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	2018 No	2017 No
Number of members		
At 1 April 2016	34	32
Joining during the year	-	2
Leaving during the year	(3)	-
At 31 March 2017	31	34

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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Capital expenditure commitments were as follows:				
Capital expenditure contracted for but not provided in the accounts	13,508	9,702	13,508	9,702
Capital expenditure authorised by the Board but not contracted	15,832	13,067	15,832	13,067

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
- Alliance Homes Sales Ltd – 100 % owned subsidiary
- Alliance Homes Partnerships Ltd – 98 % owned subsidiary incorporated 22 March 2018

Intra-group transactions are disclosed in note 14.



25 Leasing Commitments

Association and Group minimum operating lease payments

	Group	
	2018 £'000	2017 £'000
Within one year	8	8
Between one and five years	32	32
After more than 5 years	64	70

Association and Group minimum finance lease payments

	2018	2017
	£'000	£'000
Within one year	152	24
Between one and five years	48	-

26 Recycled Capital Grant Fund

	£'000
At 1 April 2017	16
Transfer into fund	-
At 31 March 2018	16

27 Disposal Proceeds Fund

	£'000
At 1 April 2017	153
Transfer into fund	-
At 31 March 2018	153

28 Financial Instruments disclosure

	2018	2017
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost	20,438	26,609
Financial liabilities at amortised cost	59,030	59,127





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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

