LIVIN HOUSING LTD

Report and Financial Statements

For the year ended 31 March 2014

Registered Community Benefit Society No 30568R

LIVIN HOUSING LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2014

Community Benefit Society registration number	30568R
Homes and Communities Agency registration number	L4538
Registered office:	Farrell House, Arlington Way, DurhamGate, Spennymoor, Co Durham, DL16 6NL
Board:	Ian Youll (Chair) Adele Barnett (from 19/09/2013) Mike Dixon (from 18/07/2013) Alan Fletcher Ian Gillespie Jonothan Hitchen Doug Hollingworth (to 19/09/2013) Lucy Hovvels Gary Huntington (to 13/06/2013) Sarah Iveson (to 13/06/2013) Andrew Lowery (from 18/07/2013) Jonathan Mallen-Beadle Clare Reilly (from 18/07/2013) Brian Stephens Kevin Thompson (from 18/07/2013)
Chief Executive	Colin Steel
Executive Directors:	Alan Smith (Finance and Governance) Alan Boddy (People and Communities) Wayne Harris (Property and Development)
Bankers:	Nat West PLC 21 Market Street Ferryhill Co Durham DL17 8JN
Solicitors:	Trowers & Hamlins LLP 3 Bunhill Row London EC1Y 8YZ
Auditors:	Grant Thornton UK LLP Registered Auditors and Chartered Accountants No1 Whitehall Riverside Leeds LS1 4BN

LIVIN HOUSING LIMITED
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 March 2014

INDEX **PAGE**

The Board of livin are pleased to present this report together with the audited financial statements of Livin Housing Limited (the Association) for the year ended 31 March 2014. This operating and financial review has been prepared in accordance with the ASB's 2006 Reporting Statement.

Principal Activities

The Association's principal activities are the development and management of affordable housing.

The Association's head office is based in Spennymoor, County Durham and its homes are mainly in County Durham, principally in the area of the former Sedgefield Borough Council.

The Association is a Community Benefit Society with charitable objectives and operates two key business streams:

- Housing for rent, primarily by families who are unable to rent or buy at open market rates.

- Supported housing for people who need additional housing-related support.

The Association manages over 8,500 affordable housing homes.

Board Members and Executive Directors

The Board Members and Executive Directors of the Association are set out inside the front cover (page i).

This year there have been changes to the Board as follows:

- Sarah Iveson and Gary Huntington who were Council Nominees to the Board were replaced by Kevin Thompson and Mike Dixon.
- Andrew Lowery and Clare Reilly were appointed to the two vacant tenant board member positions.
- Independent board member Doug Hollingworth was replaced by Adele Barnett.

The average age of the board is 55 years and they include specialist skills in the areas of Human Resources, Safety, Development, Assets and Finance. More information on livin's board can be found at meet the board (unaudited information) on our website.

The Executive Directors are the Chief Executive and other members of the Association's senior management team. They hold no interest in the Association's shares and act as Executives within the authority delegated by the Board. Association insurance policies indemnify Board members and staff against liability when acting for the Association.

Pensions

The Executive Directors are members of the Durham County Council Local Government Pension Scheme, a defined benefit (final salary) pension scheme. They participate in the scheme on the same terms as all other eligible staff and the Association contributes to the scheme on behalf of its employees.

Other benefits

The Executive Directors are entitled to an allowance for the provision of a car. Details of Executive remuneration are included in note 10 to the audited financial statements.

Objectives and strategy

The Association's objectives and strategy are set out in its corporate plan that was approved by the Board during 2011/12. The five key objectives are summarised as follows:

- **Well Governed and Viable** – to improve financial strength and governance.
- **Effective people** - to invest in our people.
- **Continuous Improvement** - to deliver excellent services through new ways of working.
- **Efficient Assets** - to invest in our homes and provide new homes.
- **Customer focused** - to meet our customers' needs and provide excellent services.

The 2012-15 Corporate Plan has been achieved ahead of schedule. A new Corporate Plan for 2015-2018 is being developed which will take into account changing priorities and emerging issues.

Performance and development

Senior management and the Board monitor achievement of the Association's objectives by measuring performance against the targets that are set out below. The Board agrees targets each year that are designed to manage development and deliver continuous service improvement.

Objective	Target
Well governed and viable - to improve financial strength and governance	• Develop a Medium Term Financial Plan to run alongside Corporate Plan 2012/15 (implemented from April 2013) • Realise Efficiency Savings and facilitate the Association's ambitions to 'bend' resources to meet emerging priorities • Maintain effective Corporate Governance – (G1 / V1 regulatory judgement maintained) • Ensure compliance with the Code of Excellence in Governance • Maintain and monitor the Association's Risk Registers
Effective people - to invest in our people	• Work towards achieving the Investors in People Gold Standard - (Silver achieved 2011) • Develop a workforce Strategy to underpin the priorities identified in Corporate Plan 2012/15 • Work towards being recognised as an employer of choice by gaining appropriate accreditations (such as The Sunday Times Top 100 Employer Rankings – placed 52nd in 2014)
Continuous improvement - to deliver excellent services through new ways of working	• Achieve Level 2 Social Housing Equality Framework Accreditation, achieve high levels of Brand Awareness and a positive reputation in the market place • Deliver all of the remaining promises (done) • Deliver all of the commitments in the Local Offer • Achieve our target score in our self-assessment • Achieve HouseMark Accreditation for complaints and feedback handling - (Achieved during 2012) • Review and analyse current provision and use of business intelligence within the organisation • Introduce new intelligence systems into the organisation
Efficient assets - to invest in our homes and provide new homes	• Achieve Accreditation for construction related services (HQN accreditation achieved) • Implement the Asset Management Strategy delivery plan • Deliver the outcome of the Older Persons Housing Services Review - (Approved by Board) • Continue delivery of the development of 350 - 400 new homes by March 2016) • Develop a Greener Living Strategy for livin and our tenants • Achieve a Value for Money repairs and maintenance service - (New Contract scheduled for July 2015)
Customer focused - to meet our customers' needs and provide excellent services	• Develop and deliver the aims of the Sustainable Communities policy • Extend ways for customers to be involved and empowered • Promote specific elements of 'in your home' Customer Access Review such as the access channels available through the internet and other technology • Build on current co-regulation and scrutiny arrangements • Achieve the Customer Services Excellence Standard • Introduce other service charges where appropriate to promote transparency, accountability and raise service standards. (Introduced from April 2014) • Understand the impact of Welfare Reform on our organisation and our customers and develop an action plan to mitigate potential risks

	• Work in partnership with other Registered Providers and stakeholders to deliver services centred around financial confidence in our communities • Development an Employability Strategy focussing on our communities to give them the opportunities to access training and employment • Develop a Healthy Living Strategy and work in partnership to improve the health of our tenants and communities • Ensure major strategic partners achieve added value through community projects • Develop local standards of service delivery with our tenants • Ensure the delivery of the Neighbourhood Action Plans • Maintain high standards in livin's complaints service (accreditation achieved during 2012)

The Corporate Plan sets out a suite of performance measures which are monitored and reported to the Performance Committee on a quarterly basis. Our performance against financial performance indicators are set out in the table on page 5 and are summarised below.

Finance

Our Funders received quarterly management accounts in accordance with the Covenant requirements and enhanced arrangements are in place for budget monitoring on a monthly basis.

Internal Audit arrangements continued to work well and the recommendations made on all reports have been reviewed and an action plan has been established to ensure they are all implemented within six months of the audit report. Internal audit work was carried out by Pricewaterhouse Coopers LLP during the year. Their work not only focuses on reviewing controls and risks but also adding value and making recommendations. Their findings, when taken in aggregate, are not considered pervasive to the system of internal control as a whole. The trend between current and previous years shows that the risk's rating level remained constant at **Low** for matters arising, but that 1 Medium recommendation was made (2012/13: No recommendations) regarding authorisations of transactions. This recommendation led to an amendment to livins' Financial Regulations.

During 2013/14, a three year Medium Term Financial Plan was developed and aligned to the emerging priorities of the Corporate Plan and the Association's "Re-investment Programme".

The Board has approved that specific funds be set aside within reserves to cover the following:

- Insurance – set aside to meet any liabilities arising from uninsured risks.
- Pensions – set aside to meet any potential increases in Employers Pension liability as a result of Actuarial revaluations.
- Mortgage Rescue and Empty Homes Schemes Fund - Proceeds from Right to Buy sales used to fund acquisition of homes under the Government's Mortgage Rescue and Empty Homes Schemes.

The table below shows those performance measures that are key to the Association and which formed the basis of our monitoring service improvement during 2013/14. Commentary on some of these indicators follows the table.

Performance Indicator	**2013/14 Target**	**Performance score**	**Actual versus Target**
Average time taken to re-let housing (days)	28	45.35	☹
% of responsive repairs completed right first time	80%	83.62%	☺
% of emergency repairs attended within 2 hours	95%	86.48%	☹
% of repairs where an appointment which had been made was kept	98.5%	99.16%	☺
% of homes with a valid landlord gas safety record	100%	99.87%	☹
% of sustainable stock that comply with livin standard	100%	100%	☺
Proportion of rent collected as a % of rent owed	98.8%	98.37%	☹
Rent arrears of current tenants as a proportion of rent roll	1.8%	0.97%	☺
% of rent lost through dwellings becoming vacant	1.5%	2.80%	☹
Number of working days / shifts lost due to sickness absence (Total)	4.0	2.83	☺
Employee turnover	6%	10.34%	☹

Rent losses from voids

Our target for the year was to manage our housing homes to minimise the length of time they remained empty between lettings and keep related losses below 1.5% of rental income receivable. Our target was not achieved for the year with overall rent losses being 2.8% (1.08% 2012/13). The figure excludes voids held pending redevelopment or remodelling.

The rent loss in 2013/14 in respect of lettable voids was £880,828. This is in comparison to £278,756 for 2012/2013, an increase of £602,072. This is due to an increase in the average number of void homes to 235 homes per week (2012/2013 74 homes per week). Although void losses have increased, partly due to the increased rent debit, the number of void dwellings has risen significantly due to a fall in demand.

This is mostly due to the impact of Welfare reform changes on any potential housing benefit dependent tenants. livin ensured tenants were aware of the financial impact of under-occupation on their Housing Benefit payments and the implications of reduced Council Tax Benefit payments, leading to some tenants deciding not to rent a 3 bedroom property, ensuring that new and many existing tenants would be able to afford their home and that sustainable tenancies were created.

This fall in demand also meant that costs incurred to return a void property to a lettable standard had to be reviewed. This review meant that certain void costs were only incurred in high demand areas or when a possible tenant had been identified. This had the effect of delaying and even reducing void costs.

Rent arrears

Overall, rent arrears in respect of current tenancies at the year-end stood at 0.97% (2013 1.61%) against an operational target of 1.8% after accounting for the timing of a payment of housing benefit arrears, paid shortly after the year end. This performance was a direct result of interventions put in place to help tenants at an earlier stage (before falling into arrears), but also due to strong recovery action where necessary. Support for customers who are struggling to pay was provided by the Smart Money Team and this has helped customers to manage their finances and thereby maintain regular rent payments.

Our target for the coming year is to manage all rent arrears (current and former tenants) within 2.8% of rental income. This target remains the same as last year to ensure our attentions are focused on arrears given the emerging pressures from Welfare Reform changes and the on-going economic environment.

Big Lottery Fund Grant (Monkey)

Monkey aims to support young (16 to 24 year old existing tenants in rent arrears) and new tenants by ensuring they have access to affordable finance, fuel and furniture services and products. Tenants will be supported by increasing their skills and confidence to be able to use these services and develop an understanding of the relevance of financial inclusion and capability services. This service should help prevent tenants falling into arrears and have a positive impact on livin's overall level of arrears.

Asset management

We are continuing to improve our residential accommodation. During 2013/14 we invested £24.6m to ensure all our homes continue to meet the Decent Homes standard and provide enhanced improvements such as carbon monoxide detectors, showers, security lighting and internal doors. The Business Plan for 2013/14 assumed expenditure in this area of approximately £23.6m. This higher than planned investment was a result the completion of the purchase of homes from Broadacres Housing Association , the award of additional Empty Homes provision from the HCA, partly offset by a reduction in the number of improvements required, identified through surveys, and on-going procurement savings against components,. In addition effective procurement has given rise to significant cost savings to the Association.

In addition, 32 new build homes were purchased from Broadacres Housing Association, 7 homes were acquired under the Mortgage Rescue scheme at a net cost of £258,534, and 23 Empty Homes were brought back into use.

Employees

We recognised that the success of our business depends on the quality of our managers and staff. It is the policy of the Association that training, career development and promotion opportunities should be available to all employees.

We are committed to equal opportunities and in particular we support the employment of disabled people as defined under the Disability and Discrimination Act (1995), both in recruitment and in retention of employees who become disabled whilst employed by the organisation.

The Board is aware of its responsibilities on all matters relating to health and safety. The organisation has prepared detailed health and safety policies and provides staff training and education on health and safety matters.

Risks and uncertainties

Risks that may prevent the Association achieving its objectives are considered by the Association's strategic risk group on a quarterly basis. The risks are recorded and assessed in terms of their impact and probability. Major risks, presenting the greatest threats are reported to the Audit and Risk Committee quarterly together with action taken to manage the risks, including assessments of key controls, and the outcome of the action. The Audit and Risk Committee reported the highest scoring risks to the Board quarterly. livin also conducts an annual risk management framework review.

The 13 strategic risks of livin approved by the Audit and Risk Committee on 30th April 2014 are shown in the table below.

Key risk	Key actions being undertaken
1. Failure to focus on the customer	**On-going work to ensure all customers can engage effectively with livin includes:** • Develop and implement the Communities Action Plan • Implement the Digital Strategy Action Plan • Implement the Resident Involvement Action plan • Assess the impact on tenants of Welfare Reform • Develop and implement the Value for Money Action Plan • Modernisation and Diversification Strategy will set out customer focus priorities
2. Failure to deliver effective asset management	**The asset management programme review will:** • Influence the repairs and maintenance action plan • Inform the Resident Involvement Strategy • Implement the strategy for sheltered housing schemes • Influence the Medium Term Financial Plan • Influence the tender for the Construction Related Services Contract • Deliver a Home Improvement action plan • Assist in the delivery of the Value for Money action plan • Implement internal audit recommendations • Deliver the Asset Management Strategy 2012/17 • Ensure effective use of the recently implemented Asset Management System (Keystone)
3. Failure in the Supply Chain	**In the current economic climate this risk has been expanded to look at all critical partnership and supply contracts. The planned actions will include:** • Inform and assist in the delivery of the Resident Involvement and Value for Money action plans • Continued development of a Business Continuity Plan to incorporate partners • Influence the Asset Management Strategy 2012/17 • Develop and implement the repairs and maintenance action plan • Implement workforce planning • Review the Business Continuity requirements under the new Construction Related Services Contract

Key risk	Key actions being undertaken
4. Failure to implement our Green Agenda	**A new risk designed to ensure that livin develops sustainable policies and practices that reduce the carbon footprint, these include:** • Develop a Greener living action plan • Development and implementation of a the livin Greener Strategy • Influence the Asset Management Strategy 2012/17 • Implement Communities and Effective people action plan • Assist in the Value for Money and Repairs and Maintenance action plans
5. Failure to deliver the Development Strategy	**livin has published its Development Strategy which aims to supply up to 400 new homes between 2012 and 2015. To ensure delivery of the strategy, livin will:** • Use SDS Sequel to ensure continued support, monitoring and review of the Development Programme and the Business Plan • Review the strategy with Board input to determine livin's growth requirements • Review the Equality and Diversity action plan
6. Failure to manage organisational capacity	**Continual progress has been made since transfer to increase the capacity of the organisation, this progress will continue with the introduction of the following planned initiatives:** • Implementation of the outcomes of the Customer Access Review action plan • Development of the workforce strategy • Development and implementation of the Great People Action Plan
7. Failure to maintain a positive reputation	**A cultural change programme is being implemented that will amongst other things:** • Develop a Scrutiny Action plan • Deliver the Communities action plan • Deliver the Value for Money action plan designed to bend resources to support emerging initiatives • Implement the Development action plan • Development and implementation of Digital Strategy Action Plan • Develop the press and PR strategy • Assist in the delivery of the Resident Involvement strategy
8. Failure to recognise and react to the current political and economic climate	**A number of reviews are underway or being implemented that will improve use of resources and / or deliver efficiencies. These include:** • Review of Medium Term Financial Plan • Review the likely impact due to the Government's welfare reforms • Implementation of the Value for Money action plan • Assess the impact of Tenure Reform • Implement the resident involvement strategy • Development of the community plans • Development of Business Intelligence Action Plan
9. Failure to effectively manage the Association's finances	**A number of initiatives are underway that will improve the financial position of the Association. These include:** • Review Medium Term Financial Plan and align to Corporate Plan and emerging priorities • Continue to embed the Value for Money Standard and review the re-investment programme to bend resources to meet emerging priorities • Implement the asset management strategy to identify further efficiency savings • Monitor the organisation's Pension arrangements • Assess the impact of Welfare reform on the association's finances • Develop and implement a spending review for the association • Implement the resident involvement strategy • Review the Income Management Strategy

Key risk	Key actions being undertaken
10. Failure to maintain effective corporate governance	**Further strengthening of the Association's governance arrangements continued in 2013/14 including:** • Development of an Equality and Diversity action plan • Development of a Governance action plan • Implementation/Monitoring in the event that Freedom of Information Act engages RPs • Development of a Scrutiny action plan • Development and implementation of a Resident Involvement action plan • Adoption of and compliance with NHF Code of Conduct • Implementation of the Board Development plan
11. Failure to manage effective procurement	**New initiatives will be implemented to improve the management of the procurement process across livin and manage some of the risks identified in an internal audit review, these include:** • Develop and implement Directorate Procurement Plans • Undertake a Spend Analysis review • Implementation of the Value for Money action plan and Efficiency Strategy • Implement internal audit recommendations
12. Failure to effectively manage business continuity incidents	**Development of a Business Continuity plan for livin has been undertaken during the year, this was supplemented as follows:** • Develop Mutual Aid strategies • Review of Business Continuity Plans for Mears • Review the Business Continuity requirements under the new Construction Related Services Contract
13. Failure to deliver Value	**In order to implement the VFM Action plan and embed VFM across the organisation, the following actions will be undertaken:** • Review the use of the HouseMark R&M Toolkit • Implementation of the Towards Excellence review • Review and gap analysis of all strategies, and review of the Performance Management framework • Partner working with HouseMark to review our approach to embedding VfM • Research and explore Social Return On Investment • Implement R&M action plan phase 3 • Review the Performance Management Framework

Financial position

The Association's income and expenditure accounts and balance sheets are summarised in Table 1 (page 31) and the following paragraphs highlight key features of the Association's financial position at 31 March 2014.

The overall surplus for the year amounts to £3.343m compared to a budgeted surplus of £2.410m, a favourable variance of £933k.

The main features that account for this exceeded budgeted surplus are:

- Pension cost adjustments in accordance with Financial Reporting Standard 17.
- Lower than anticipated depreciation costs as a result of the level of Work in Progress at the year end.
- Reducing repair costs by identifying low demand loss-making units suitable for demolition and subsequent redevelopment.
- Continued reduction in overheads through livin's reinvestment programme.

Accounting policies

The Association's principal accounting policies are set out on pages 42 - 46 of the financial statements. The policies that are most critical to the financial results relate to accounting for housing homes and include: capitalisation of costs and housing property depreciation.

The Association follows guidance on the Statement of Recommended Practice (SORP) Accounting by Registered Social Housing Providers 2010.

Housing Homes

At 31 March 2014 the Association owned 8,525 housing homes (8,577 at 31 March 2013). The homes are carried in the balance sheet at historical cost (after depreciation and grant) amounting to £95.84m (£79.38m at 31 March 2013) and valued at £760m for insurance purposes.

Our investment in housing homes this year was funded through a mixture of loan finance, mortgage rescue scheme and empty homes grants, Eco grant, working capital and revenue reserves.

Pension costs

The Association is an Admitted Body to the Local Government Pension Scheme (LGPS). This Local Government Pension Scheme is a final salary scheme, offering good benefits for our staff. The Association has contributed to the scheme in accordance with levels, set by the actuaries, of 12.5% during 2013/14.

A full actuarial valuation of the LGPS was undertaken as at 31 March 2014.

Value for Money

The self-assessment included below is a summary of livin's VfM achievements. The full VfM self- assessment (unaudited information) can be viewed on our website.

livin's Strategic approach

livin was successful in delivering its Corporate Plan 2012/15, 12 months ahead of schedule. Subsequent to a Board Leadership Conference, work has begun on the new Corporate Plan, which will replace the five themes of the previous plan with three new themes. The VfM strategy underpins the delivery of the new Corporate Plan in the following ways:-.

livin Communities

livin Communities ensure the delivery of sustainable communities and tenancies. Housing teams, operational processes and customer intelligence all feed in to ensure resources are meeting the needs of customers as well as the wider community.

livin Business

Maximising the value and capacity of staff is a key business objective and is fundamental to the effective delivery of the Corporate Plan. Over the last 5 years we have continuously reorganised services and realigned/reskilled staff to maximise the value of this significant resource.

The workforce plan sets out the approach to managing the workforce to maximise value and ensure other key business strategies such as the Digital Strategy and the Modernisation Programme are effectively delivered. At the heart of the workforce plan is the Great People approach which ensures staff are effectively engaged and empowered.

Maximising value using Technology is a further key business objective and emerging and developing technologies are constantly identified and utilised to provide new, smarter, more efficient ways of working, such as the changes to Former Tenants Arrears, the roll-out of the CRM systems enabling the modernisation of Customer Services and the move to digital and mobile working, all of which have freed capacity for reinvestment in other priority areas.

Effective and robust financial management is a key aspect of livin's core business approach. Analysis of spending and forecasts reviewed against corporate objectives and priorities is a significant element of financial forward planning through the medium term financial strategy and the business plan as is the assessment of the financial impact of risk. Regular reviews of spending and requirements are undertaken with efficiencies redirected to the reinvestment fund to be used for other priority initiatives.

Scrutiny Group provides livin's tenants with the opportunity to influence initiatives and service provision and recommends corrective actions if inefficient processes and practices are identified.

livin Assets

The overarching Asset Management strategy defines which homes will receive investment, and provides solutions for those which are inefficient or no longer financially viable utilising the Net Present Value (NPV) model, yield data and communities intelligence. VfM is a key consideration within this strategy, working within the framework of the Community Plans.

The full self-assessment now details how Value for Money achievements and planned initiatives support the key business areas under the new themes of the Corporate Plan.

Summary of Achievements and Plans

During 2013/14 livin achieved in excess of £7m of efficiencies across the business, which was significantly higher than forecast. Fifty business objectives were monitored over the year using 224 business measures through our triangulation approach, which utilises Cost, Quality and Performance measures for a service area to give a holistic view of performance. Of these measures 62% achieved target or were within tolerance, and 28% did not hit target, whilst the remaining 10% could not be analysed as they were new measures and a baseline had not been established or a target set. Amber and red value denoting that some or the majority of performance targets are not being achieved and improvement or significant improvement is required for these areas to deliver value.

The year-end performance report (unaudited information) was presented to board on 21 May 2014.

Interventions have been identified for these areas to be implemented in 2014/15.

The following table represents a summary of key achievements for each of the three corporate themes and key plans identified to improve performance and value from 2014/15.

Theme	Key Achievements	Key Plans
livin Communities	Welfare Benefits Advisor and Smart Money Team - £900k additional funds for tenants. Customer Services re-engineered and capacity released to Former Tenants Arrears - £100k collected. livin futures, 70 tenants employed, 197 tenants achieving a qualification. During 2013/14, livin achieved a Top 100 position in the National Apprenticeship Awards and received the Regional Community Impact Award in May 2014, as well as being shortlisted for the Apprentice Employer of the Year 2014/15. One of our apprentices was named Durham Small Business Apprentice of the Year and in April 2014, our livin Futures Manager was named as the Chartered Institute of Housing North East Mentor of the year. Community investment - £287k invested, 600 tenants engaged, 12 community events, 13 environmental improvement projects, 100 participants in sporting events. Changes to letting procedures of low demand stock – 9.5% increase in applications	Retain focus on Former Tenants Arrears – red value assessment. Better demonstrate how additional community investment has benefitted tenants and the wider community. The Smarterbuys Store and Credit Unions – Improved financial wellbeing of tenants, Assisting with household budgeting. New performance measures to monitor the interdependency between rent payments, allocations and tenancy management. Develop a sustainable model to secure long-term investment in the economic sustainability of communities via Employability interventions, particularly in relation to Youth Unemployment – Amber value judgement. Develop systems to provide live and real time business intelligence to underpin strategic decision making. Modernising tenants' involvement through focus groups and use of technology (Red value

Theme	Key Achievements	Key Plans
		assessment).
livin Business	Use of Virtual Desktops - £38k saving Mobile Working – 470 'additional' work sessions per quarter. Restructures and Investment in staff creating capacity through releasing resources and improving knowledge and skills - £239k staff saving and £117k saving on IT maintenance costs. Reduction in staff sick days - £12k capacity created. Strategic Recruitment - £41k costs avoided. V1 rating retained Re-investment Programme freeing cash resources of over £1.25m to re-direct into the business. Streamlining Governance arrangements. Scrutiny Panel refresh and subsequent service reviews. 52nd in the Sunday Times Best companies to work for up from 70th (Not for Profit section). Finalists in the national GO procurement awards.	Development of and investment in the digital strategy (amber value assessment). Further research into appropriate benchmarking clubs for new initiatives where benchmarking is not currently undertaken by livin e.g. digital inclusion. Use of available technologies to modernise the Repairs and Maintenance service to maximise value in tandem with the contract renewal and the appointed partners – focusing on amber value areas. Refinancing to reduce overall interest costs by approximately £11m, over the life of the business plan, and raise additional funding for new development programme. Continue to maximise value from the workforce through workforce planning whilst enhancing the employer of choice offer

Theme	Key Achievements	Key Plans
livin Assets	Implementation of Keystone Asset Management system. Ongoing delivery of Affordable Homes Programme 1 and other developments - total of 97 new homes delivered during the year, £387k saving against internal subsidy requirements, contributing toward the full 2012/15 development programme and estimated investment of £28m Asset Management – 30% reduction in negative NPV of homes (£2.5m) HQN Accreditation for Repairs and Maintenance, Adaptations, Voids and Capital Improvements Services	Use of Keystone Asset Management system to profile future property investment needs and scenario plan Refinancing to reduce interest costs and become more competitive in developments. Commence delivery of Affordable Homes Programme 2 Active Asset Management Strategy – Yields, active disposal programme, diverse tenures Repairs and Maintenance Contract renewal – additional social benefit requirements and target 5% cost reduction over the contract life

livin's delivery of VfM – 2013/14 Value for Money Self-Assessment

VfM is a key component to the delivery of livin's core services to its customers, and therefore delivery of its purpose as a Social Housing business.

livin operates a Value for Money working group which meets regularly to discuss initiatives and the delivery of the Value for Money Strategy action plan.

Total cash savings for the year amounted to £7.2m as shown below;

	Savings achieved 2013/14 £
Assets: Improvement and Repairs	1,895,135
Assets: Developments	885,332
Assets: Use of Assets	1,610,856
Salaries and Restructures	292,515
Business Processes	2,282,207
Purchasing and Procurement	291,083
	7,257,128

livin recognises that VfM is not only about reducing costs, but improving performance and quality as well. To this end, VfM is closely aligned with the organisation's Performance Management Framework (PMF).

The PMF is driven by livin's Corporate Objectives. Performance measures which support these objectives are grouped into common service delivery areas with cost, quality and quantity measures forming triangulated indicators.

An optimum score is applied to these triangles based upon the performance target, and actual performance is measured against these to give the score. This score indicates the extent to which livin is meeting its objectives and delivering a value service.

Performance is monitored through the Covalent Management System which allows real time updates, measurement and performance against target, providing the opportunity for timely corrective action.

Each quarter, the Performance Clinic, chaired by the Chief Executive and made up of Directors, Heads of Service and other key senior staff, analyse key measures and discuss interventions as required. A value judgement is then placed on these measures and reported to Performance Committee and Board, along with a full analysis of livin's performance at year end

livin's VfM Strategy (unaudited information) requires Board to satisfy themselves that the optimum sustainable performance of all its assets meets the purpose and objectives of the organisation. This demonstrates the importance of ensuring that VfM is closely linked to and embedded within the Corporate Plan and all key strategies.

In order to be successful in the achievement of VfM, livin continues to engage staff through both corporate and individual training and development, ensuring staff and Management are aware of their responsibility in its delivery, and continue to seek and achieve VfM in all their activities.

livin Communities

Tenancy Management/Sustainable Communities Support

Financial Wellbeing

livin recognised early on the potential negative impact that Welfare Reforms could have on tenants and the business. The Welfare Reform Escalation Plan was developed identifying key issues and interventions. During the year, livin continued to re-engineer the Financial Wellbeing Team, the referral process between teams and raised the level of knowledge for all frontline staff to assist tenants gain access to financial and housing need support.

The Financial Wellbeing Team has been pivotal in supporting tenants and other community members manage their income through assisting with Welfare Benefits Claims, Discretionary Housing Payments, grants, loans and through low level debt restructuring. The Benefits Welfare Advisor and Smart Money team offer support to increase the income of customers. Raising income has helped reduce tenants arrears during 2013/14, and also helps fulfil livin's aim to improve the economic sustainability of communities. A total of £452k additional entitlement has been claimed by our tenants through Benefit Claims (583 tenants since July 2013), £227k through Discretionary Housing Payment (DHP), and £239k through grants and loans directly to our customers. A total of 1,100 customers benefited from the service in 2013/14.

During 2014/15 livin will work more closely with tenants to identify how additional funds have helped them and the local economy, to gain an understanding of the social value added to communities.

Two key financial inclusion initiatives have been identified to further support our tenants and communities improve their financial wellbeing;

- The Smarterbuys Store aims to provide our tenants with an affordable alternative to high street white goods and furniture providers, or avoid using door step lenders or un-licensed money lenders. Tenants who are not in arrears could be offered the chance to purchase white goods or furniture at a competitive rate of interest. A quarter of weekly repayments are then deposited into a savings account on behalf of the tenants to assist them with getting into the habit of saving money and improve their money management skills and financial standing .To date, 22 of our tenants have utilised this service. This equates to £17k in purchases which is then re-cycled back to recapitalise The Smarterbuys Store so that tenants have access to this initiative in future years.

- livin have formed a partnership with local credit unions in order to give our tenants the opportunity to become members of this union, offering a 'Jam Jar' account, which it is envisaged will assist some tenants with budget management after the implementation of Universal Credit.

livin has provided the opportunity for its staff to also become members of the Credit Unions as a demonstration of their commitment to it and the Fair Finance Pledge. Amounts saved by livin staff members will be used to capitalise the credit unions which could then be offered to tenants as an affordable source of finance.

The Former Tenant Arrears performance missed target. As a result, livin is reviewing the processes and investigating if an increase in resource will bring about a further increase in the collection rates of former tenant arrears (£189k additional rent collected during 2013/14), as well as assessing the causes of former tenants' arrears (e.g. abandonments, pre-tenancy checks) in order to mitigate these. Other key income related performance highlights are summarised below compared to performance against our Housemark Peer Group:-

Measure	**12/13 Actual**	**13/14 Actual**	**13/14 Target**	**Quartile**
Proportion of rent collected as percentage of rent owed	97.56%	98.37%	98.80%	Upper
Rent arrears of Current Tenants as a percentage of rent roll	1.61%	0.97%	1.80%	Upper
Rent arrears of Former Tenants as a percentage of rent roll	1.83%	1.99%	1.00%	Middle
Number of tenants more than 7 weeks in arrears	342	317	320	N/A

The re-engineering of the Customer Services and Complaints teams has led to improved performance during 2013/14 with 89% of calls being resolved at first contact against a target of 80%. However this was allocated an Amber value judgement as there are further improvements to be made as the CRM system is rolled out to other service areas.

The Monkey project is a partnership arrangement between 16 partners in the area aimed at delivering fuel, finance and furniture solutions for social housing tenants across County Durham. The project supports sustainable tenancies and communities along with improving financial management skills, leading to a positive impact upon rent management and sustaining tenancies. During 2013/14 112 housing applicants and tenants were registered to this service by livin.

Targets for year one of the project were not achieved due to high initial staff turnover within the project team. To regain this ground, all tenants of livin are now eligible for Monkey support as the Big Lottery Fund have widened the eligibility criteria for the project resulting in 110 new livin registrations being made since April 2014.

Employability

livin Futures is livin's partnership based employability initiative and contributes significantly to the Sustainable Communities Strategy for livin. The partnership has led to 70 residents being employed in 2013/14. A further 197 tenants have achieved qualifications and livin Futures achieved a 38% job success rate for those involved in employability interventions last year.

During 2013/14, livin achieved a Top 100 position in the National Apprenticeship Awards and received the Regional Community Impact Award in May 2014, as well as being shortlisted for the Apprentice Employer of the Year 2014/15. One of our apprentices was named Durham Small Business Apprentice of the Year and in April 2014, our livin Futures Manager was named as the Chartered Institute of Housing North East Mentor of the year.

Support to prevent youth unemployment did not meet target with a lower than expected number of participants. To address this, during 2014/15, there will be an emphasis on partnerships and collaborations with schools, colleges and major employers to maximise the number of young people taking part. The following interventions will be implemented.

- Tailored programmes to meet the needs of local schools
- Partnerships with local colleges and major employers
- Programmes to improve access to employment through digital channels
- Collaborations with community groups to maximise the value of successful youth projects
- Expansion of livin Futures apprenticeship and pre-apprenticeship programmes

Community Investment

livin's community investment has supported 74 projects in total in 2013/14. Last year the investment of £287,000, enabled:

- 600 residents to be engaged on a variety of interventions addressing economic and social issues
- 12 community events to be supported to help address social issues in communities
- 13 environmental improvement projects to be completed in target areas
- Over 100 people to participate in sporting and cultural events addressing health and social issues.

Delivering value to communities is key to livin's investment and finding the right partners is crucial. Since 2012, livin has been in partnership with the Sunderland Association Football Club Foundation of Light (FoL) to deliver social and economic interventions in communities and so far have delivered:

- 30 Family Learning Courses engaging 231 families (277 children)
- 90% of participants advising an improvement in confidence, motivation and health.
- Between 94-100% retention rate on family learning with nearly a quarter of participants progressing to employment (FoL).

A key tool used to achieve the value of this partnership being the FoL's ability to use the power of their brand to engage, then retain and deliver successful interventions.

2013/14 saw an enhancement to the interventions in communities with the launch of the Back in the Game (BITG) employability course in which 100% of participants gained qualifications, undertook exams in literacy and maths and collectively reduced their body mass by 5%, thus improving health outcomes.

This year saw the launch of livin and FoL's new Enterprise Academy Vocation learning course for schools which launched with 20 pupils who reported improvements in their leadership skills, resilience and relationships.

Added value outcomes include the launch of a learning hub "Foundations" in Shildon, training for young adults not in education, employment or training, community events engaging over 2,000 people and closer working partnerships with local stakeholders. 2014/15 will see exciting opportunities to build on the current programme. Plans include focusing interventions on communities in greatest need based on community plan intelligence, namely Newton Aycliffe and Spennymoor, and projects will include holiday family learning sessions, homework clubs and youth provision.

Community investment in 2014/15 will continue to be aligned with the Sustainable Communities Strategy and performance management framework as well as prioritising economic wellbeing initiatives. The investment will continue to support employability and financial wellbeing projects, but will place a great focus on supporting communities to become more digitally and socially included, particularly livin's Digital Me project to reduce social isolation for people over 50 years old. Value judgements of outcomes and impacts will continue to be fed through the performance management framework.

Sustainable Tenancies

Tenancy sustainment was assessed as amber value through the PMF, predominantly as a result of the level of tenancy turnover creating a rise in tenancy interventions and placing a strain on livin's rental income stream. During quarter 4 of 2013/14, tenancy turnover was 14%, which is above the set target. Further analysis is currently being undertaken to determine the main reasons for this, and a Scrutiny review will provide a tenant and stakeholder insight into this service area. Interventions will be identified and delivered during 2014/15.

Tenancy Sign Up days were introduced during 2013/14, whereby all new tenants attend livin's headquarters and undergo a tenancy induction process. This ensures consistency of messages to tenants as well as reducing the amount of staff time required for individual sign up's in the home. This approach has contributed to a 22% reduction in failed tenancies within the first year, with 38% of new tenants signing up for Direct Debit and digital services

Homes that have lower demand are advertised via online websites, to let signs, vehicle livery and local media advertisements. Incentives including rent free weeks, decoration vouchers, white goods and carpets, and making direct let of low demand homes. This has led to a 9.54% increase in applications received during 2013/14 compared to 2012/13 (2,807 12/13: 3,075 2013/14).

During 2014/15, livin will target local businesses with the intention of tapping into the market of employed potential tenants, protecting a proportion of livin's income which is not susceptible to welfare reforms. This will reduce some of the negativity around social housing being 'only for people on welfare', and help to reinforce the message that social housing is for anyone with a housing need.

Resident Engagement

The Resident Involvement objective was identified at the end of 2013/14 as not delivering value. A fundamental review of the service was subsequently undertaken which looked to modernise resident engagement and maximise involvement of a range of customers across all services. The service's performance measures show that whilst satisfaction (75%) was above target (72%), the cost of the service (£9.33 per property) is higher than target (£9.00), with negligible involvement of tenants in making decisions about their communities. For 2014/15 resident involvement will be refined to reflect the new approach to involving tenants, which will allow for issue specific and targeted focus groups to be held with a representative group of tenants, as and when they are needed. This will add value by delivering more service improvements with the same resource, through meaningful and higher quality consultation.

livin Business

In order to asses our high level financial performance, we have compared ourselves against a peer group from the HCA's Global Accounts for 2013*. The peer group was selected based on LSVT's from the same geographical location.

Indicator	livin 2013	Peer Group Average Global Accounts 2013
Stock Size	8,577	8,523
Stock failing the decent homes standard	0.0%	1.0%
Voids for the year	1.1%	1.4%
Bad Debts for the year	0.9%	1.1%
Current tenant arrears	1.6%	3.1%
Operating margin	20.3%	24.4%
Growth in turnover	6.9%	6.8%
Growth in total assets	31.6%	11.3%
Gearing	286%	146.2%
Debt per social housing unit	£6,732	£9,549
Management cost per unit	£999	£1,032
Maintenance cost per unit	£1,069	£998

*The peer group selected for these comparatives is:- livin Housing Ltd, Berwick Borough Housing, Broadacres Housing Association Ltd, Byker Community Trust Ltd, Cestria Community Housing Association Ltd, Coast and Country Housing Ltd, Derwentside Homes Ltd, Erimus Housing Ltd, Gentoo Sunderland Ltd, Housing Hartlepool.

Overall, our high level performance is consistent with the sector. The high level of gearing is as a result of loans drawn in accordance with the business plan in order to improve our housing stock as per the promises document and the relatively low level of accumulated reserves and grant as a result of our relative immaturity as a business. The Business Plan indicates that as the business matures, interest costs will reduce as debt levels fall and the gearing ratio will more closely align with the sector's overall results. The higher than average Maintenance cost per unit will be addressed during the Repairs and Maintenance contract tender.

Maximising value using Technology

livin's Modernisation and Diversification Agenda requires the business to become more commercial in its practices, in order to create the capacity to deliver more, and better services to our tenants and communities. Key to the delivery of this agenda is the effective use of technology.

The use of virtual desktops across livin has led to a reduction in ICT replacement costs, whilst also allowing major upgrades to be completed simultaneously across all profiles, ensuring consistency in the use of the same version of software packages, reducing instances of non-compatibility. Revenue Budget savings of £38k per annum, in real terms, have been realised.

In addition, mobile working allows senior staff members to securely access their desktops from any location, leading to increased productivity and a more flexible working approach for staff. An average 470 additional work sessions outside of core hours are recorded in a quarter using this facility, allowing staff to work more flexibly to meet the requirements of the business.

The emerging digital strategy and the supporting channel shifting targets in the existing performance framework set out livin's commitment to modernise services in a customer focused and cost effective way. To date, 'Live Chat' and 'My livin Space' (the online tenants' self-service portal) has been introduced and the website has been improved to enable more digital interactivity. 1,179 tenants are now signed up to My livin Space with on average 50 new registrations per month. On average 6,000 visits to the website occur each month (increasing month on month) and an average of 200 live chat conversations take place. The following table summarises our performance for the year in this area:-

Measure	**12/13 Actual**	**13/14 Actual**	**13/14 Target**
Average cost of delivering online services per tenant user	N/A	£25.06	£22.00
Percentage of tenants accessing services online	N/A	9.30%	15.00%
Total website hits	N/A	73,452	72,000
Percentage of tenants satisfaction with online services	N/A	57.14%	46.00%
Percentage rating of website as good	N/A	62.67%	80.00%

Whilst the uptake of digital services by tenants is steadily increasing, as the overall channel shifting targets for this year have not been met and any related benefits/savings have not yet been quantified/realised, the value assessment for this service area was amber at year end. As such the digital strategy and supporting action plan have been flagged as Priority 1 for development/investment.

In order to deliver the digital inclusion element of the Digital Strategy, the Digital Me project will be launched in 2014 to help digitally excluded tenants and resident's access digital services and providing employability opportunities for mentors. Rent statements are no longer sent to those tenants registered for My livin Space, and tenant magazines are sent electronically to those who have opted for this method of contact

By helping tenants to get online we will be helping them to save money, increase chances of employment, earn more by having digital skills and help some of our most vulnerable tenants reduce feelings of isolation. This is turn will improve the chances of tenants being able to sustain their tenancy and contribute positively to their community whilst boosting confidence and aspirations.

During 2014/15, livin will redesign access to the Repairs and Maintenance service through the use of available technologies and digital/social media allowing on-line access to information and services personalised to customer needs including reporting repairs, requesting aids and adaptations, booking appointments for gas services and tracking the progress of repairs appointments.

Mobile working technology will allow staff to operate more efficiently and in a more customer focused way enabling the payment of rent, referrals to other services and Customer Relationship Manager interaction logging via one visit.

Maximising the value and capacity of staff

The continued development of the Workforce Strategy will assist in reducing costs and delivering value. Staff costs are the third highest area of spend for livin and value is driven from the staffing structure through the Workforce Strategy. Through this planned approach £292,500 efficiency savings were achieved during 2013/14, building on the significant staffing efficiency savings realised in previous years.

The challenges of a volatile external environment have prompted a more flexible approach to the staffing structure. This includes an increased use of short term contracts and consultants to provide expert/specialist skills for defined projects.

A number of re-structures have allowed livin to provide its services more efficiently. These re-structures have allowed the business to re-model to face the challenges of the future operating environment.

The importance of investing in staff is widely recognised and significant investment goes into staff training and education, terms and conditions, wellbeing and engagement initiatives, enhancing livin's reputation as an employer of choice, with 80% of staff happy to recommend working at livin and positive about a career at livin.

livin has also seen significant improvements in absence levels due to the pro-active steps taken to manage sickness. livin has achieved a further reduction of its average sick days from 3.82 to 2.99 for the year. This compares very favourably with national indicators of sickness levels which stand at 8.6 days in the not-for-profit sector (CIPD, 2013) as well as being Housemark top quartile.

In addition, during 2014/15 livin will continue to develop its reward, recognition and benefits package, including the salary sacrifice scheme and now provides these services in-house at no cost. This supports the engagement and retention of staff, as well as improving the businesses reputation as an employer of choice and helping to cement livin's place in the Sunday Times Top 100 Employers (52nd up from 70th in 2012/13).

<u>Financial Management</u>

The latest draft HCA Viability Review Judgement received on the 9th May 2014, confirmed that livin had retained its V1 rating.

livin has continued to outperform its Business Plan during a challenging financial environment.

livin recognises that its cost of borrowing is high, With the average rate of livin's hedged loans, which represented 91% (65% across the sector) of the drawn loan balance, at 6.4%, the overall average being down to the current low level of Libor applied to shorter term revolving loans.

At the time livin's current loan portfolio was agreed with the funding syndicate, interest rates were high after the credit crunch which commenced in 2008. Only one funding offer was available to livin at this time. However, the effect of such high interest rates on the facility was to highlight the need for effective management and generation of savings from the outset of the business.

Global Accounts 2013 states that the average interest rate payable by providers was 5.2%. By comparison, livin's average rate for the same period was 5.8%

However, investment in stock results in an increased value, which in turn can be used to leverage in additional borrowings, required to provide essential new homes.

In order to deliver ambitions of modernisation and diversification, as well as growing the stock of the business and delivering the future Corporate Plan, additional financial resource is required. livin is currently undergoing a re-financing project to raise additional capital financing and generate significant revenue savings through a reduction in interest costs payable of circa £11m over the 30 year life of the business plan.

livin has operated a Re-investment Programme over the last three years, which is financed by in year and ongoing cash efficiencies. The purpose of the fund is to allow new initiatives to be undertaken to help mitigate the impact of Welfare Reforms and/or deliver corporate objectives. An initial 3 year target of £1.25m has been achieved one year early and, therefore, it has been increased to £2m for 2014/15.

Procurement

Procurement decisions can have a significant social, economic and environmental impact and livin therefore has a duty to ensure that all procurement undertaken by livin is considerate of the Public Services (Social Value) Act 2012 and its principles when procuring goods, works or services, and that those partners who are successfully awarded contracts with livin also adhere to the requirements of this act.

livin is committed to promoting employment and enterprise opportunities locally and using local companies wherever possible to drive forward investment into the local economy. All prospective suppliers are asked to consider using local businesses and where appropriate the larger contracts that livin procures are required to offer jobs, apprenticeships or work experience to the people in our communities.

As well as demonstrating their commitment to environmental sustainability contractors are also expected to offer some added value services to livin and its communities for example, debt management training sessions for tenants, or Equality and Diversity training for staff. livin recognises that the additional value provided through its major contracts comes at a price, and is willing to accept an increase in contract and management costs to deliver these services to our communities.

livin seeks best value from all procurement. Our internal procedures ensure that the contracts we have are re-procured when they expire, allowing us to constantly test the market and refresh our services by encouraging innovative ideas from the suppliers. This means we can ensure the prices we pay represent the best value for money.

A co-ordinated approach to Procurement has led to a reduction in non-contract spend (99.1% spend is contracted) across the organisation, as well as leading to more favourable contract prices giving cashable savings for the year of £285k.

During 2013/14 livin were finalists in the National GO Procurement awards.

Governance and Scrutiny

During the year, livin refreshed its Scrutiny Panel, appointing an independent chair. The panel undertook its first service review, assessing the value which could be added to the aids and adaptations service (an already value adding service). Processes were rationalised and 27 improvements were recommended and implemented. However, at present there is insufficient data to calculate the savings made as a result of this review. This information will be available when the service has run for a full financial year following implementation of the recommendations.

The programme 2014/15 has been developed by reviewing performance in key customer facing areas and followed a workshop held with the Scrutiny Panel, the Board and Senior Management Team. The following areas are to be reviewed:-

- Sustainable Tenancies;
- Rents;
- Complaints

A recent benchmarking report by HQN tested livin against 17 other registered providers. The report indicates that resources for co-regulation showed value against others, and the amount of involved residents was above average for the group as well as scrutiny recommendations accepted and actioned against the group, highlighting the value placed on livin's scrutiny group by the organisation.

livin Assets

Technology

After implementation and population of the Keystone Asset Management System (KAM), livin will begin using the system to accurately record and predict future investment needs of the housing stock. KAM also allows for different investment scenarios to be run, allowing real time analysis of the impact of deferring or accelerating programmed works.

KAM is also fully integrated with livin's Orchard housing management system. This integration allows staff to see when components of a building are likely to require replacement, saving staff time and resulting in better, more accurate, customer service.

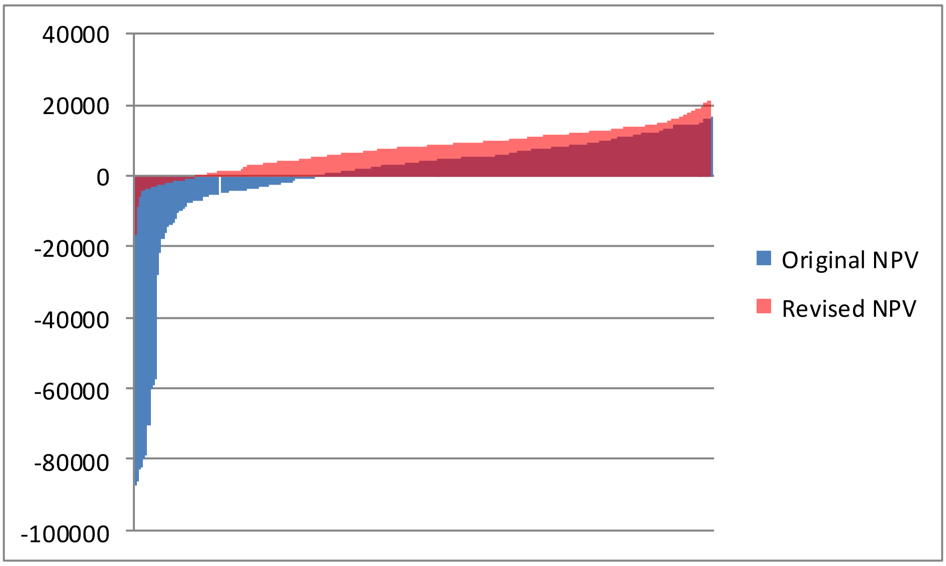
Return on Assets

livin is developing active Asset Management Strategy that ensures our assets have demand and make a positive contribution to the Business Plan and create more sustainable Communities.

livin continues to utilise the Net Present Value (NPV) model to assess the financial viability of its housing stock.

Utilising NPV forecasts alongside wider community intelligence to make investment decisions through the Asset Management Strategy has led to the removal or conversion of low demand, poorly performing assets, and replacing them with modern, high demand older persons and general needs accommodation.

The NPV of livin's housing assets has improved by over £2.5m (a 30% reduction in negative NPV) as demonstrated by the following graph:-



livin's Return on Assets, calculated as surpluses divided by Net Book Value of Assets, was 3.5% (2013 5.8%). This will deteriorate over the next 12 years as a result of the significant capital investment undertaken on the Housing Stock, and the associated depreciation and interest costs on the loans used to finance this investment.

During 2014/15, livin will undertake an exercise to calculate the yield of its housing stock based on market values. These yields will then be linked to the homes NPV. Those homes with a low yield, high value and low or negative NPV could be disposed of on the open market at the point at which they become void. It is envisaged that this approach could lead to the release of sufficient funds to replace every 2 homes sold with up to 3 new homes, thereby sweating our assets further.

During 2014/15, livin will undertake a Homesteading exercise of its long term void homes in the Dean Bank area of Ferryhill. Homes will be sold at a discount, and arrangements have been made with Durham County Council to provide interest free loans of up to £15k to homeowners to renovate their homes.

Repairs and Maintenance

Repairs and maintenance represents livin's single biggest area of revenue spend. We have worked closely with our Repairs and Maintenance partner to achieve cost effectiveness whilst providing improved services that meet our customers' expectations. Whilst the Repairs and Maintenance service has good performance in a number of areas, it has been given an amber value judgement due to poorer performance in Emergency Repairs. These issues will be dealt with through contract renewal.

During 2013/14, the Repairs and Maintenance service achieved HQN Accreditation. The services listed below, along with their respective Performance Measures, are included in the accreditation:-

Measure	12/13 Actual	13/14 Actual	13/14 Target	Benchmark
5% reduction of individual jobs costing over £400 + VAT	N/A	5%	5%	
Average cost of repairs		£70		HQN Average £111.42
Percentage of customers satisfied with Repairs and Maintenance	100%	99.87%	95.00%	Upper
Percentage of repairs where appointments are made and kept	97.24%	99.16%	98.50%	HQN Average 92.53%
Percentage of emergency repairs attended within 2 hours	N/A	86.48%	95.00%	HQN joint shortest time
Reduction in cost per property for gas servicing/maintenance	N/A	£74.34	£75.00	HQN Average £100
Percentage of homes with a valid landlord Gas Safety record	99.88%	99.87%	100.00%	HQN Average 98.24%
Percentage of customers satisfied with Gas Servicing	100%	100.00%	95.00%	
All major adaptations completed within 21 month period	N/A	100.00%	100.00%	
All minor adaptations carried out within 30 day period	N/A	96.30%	90.00%	
Percentage tenants satisfied with Aids and Adaptations Service	89.47%	100.00%	95.00%	
Percentage tenants satisfied with their Aids and Adaptations work	100%	98.86%	95.00%	
% very or fairly satisfied with the overall quality of their home	89.00%	100.00%	95.00%	Upper Quartile
% of dwellings that are decent	100.00%	100.00%	100.00%	Upper Quartile

Cost inflation and contractual demands are a significant area of cost pressure for livin within the repairs and maintenance service, and the new Repairs and Maintenance contract as detailed below, is expected to mitigate these issues through a 5% cost reduction over the term of the contract.

Procurement

As the Repairs, Maintenance and capital investment contract is approaching its end, livin have reviewed the service and the provision to develop a specification that not only addresses the core requirements of a repairs service but also seeks to achieve greater social benefit than the original contract.

The new specification has been designed as a 7 year partnering contract with a 3 year extension option which livin believe will result in a more secure partnership allowing us to offer greater employment opportunities including work experience, apprenticeships and helping qualified construction workers back into employment.

In addition, we have identified a number of challenges that this long term partnership will be seek to address including increasing the sustainability of tenancies and independent living as well as tackling environmental issues and the effects of fuel poverty on our communities.

Aside from our social targets, livin have also set some high business standards for this new contract to achieve including a 5% reduction in the whole life cost of the contract (an anticipated reduction of up to £600k per annum) and a more effective way of pricing repairs on a property to achieve the best possible value for money.

Development

livin has continued with its Development programme and the delivery of 100 homes under the Affordable Homes Programme. During the year, we delivered 33 new build homes, as well as a further 7 mortgage rescues, 25 Empty Homes, and completed the purchase of 32 of the 40 homes from Broadacres Housing Association. To date, savings of £387k have been made against anticipated internal subsidy requirement, whilst attracting grant of £1.9m for the whole programme.

In addition, further efficiencies driven out have allowed for the provision of a further 244 homes, representing the total investment of £28m in new build and newly acquired homes.

livin has been successful with its bid under the Affordable Homes Programme 2 to develop and deliver an initial 72 homes, followed by a further 119 homes, including 25 Market Sale homes through Continuous Market Engagement.

livin's VfM conclusion

livin has again demonstrated strong performance in 2013/14 evidenced by both financial and corporate measures. Delivery of financial savings and efficiencies has outperformed medium term financial strategy forecasts and the Performance Management Framework demonstrated that across 50 business objectives 62% were judged as delivering value. Those that did not achieve value have been prioritised for intervention during 2014/15.

Delivery of the 2012/15 Corporate Plan a year early was a major achievement and a number of key initiatives designed to improve the sustainability of our communities are now in place and delivering positive impact.

Early successes need to be built on. The Board leadership conference placed a major focus on the continuing risks and challenges facing the organisation and its communities and a clear approach to how the organisation will modernise and diversify, to meet the challenges and grow its assets and community support, will be the focus of the next Corporate Plan.

Significant areas of spend remain a key focus and work is already underway to review and improve investment in all areas. Repairs and maintenance, the highest single area of expenditure, has seen improved performance and compares favourably in most areas but will be reviewed again as part the contract procurement exercise that will conclude in 2014/15. Improved financial and impact performance are key in the approach livin has adopted. Costs of finance are higher than sector average, as a direct consequence of the timing of the creation of the business. livin is now in a position to refinance to reduce costs of capital and raise more funds to support the delivery of new homes. This will also be concluded during 2014/15.

livin has placed value at the core of everything it delivers and overall it believes that it meets the expectations of the VfM standard. Past achievements are significant and the business has been able to make real impact in its communities in the first five years of operation. Despite this strong performance livin recognise that major challenges still exist that require focus and investment. Future plans are being developed to address these.

Regulatory Judgement and Financial Viability Review

The Homes and Communities Agency has issued the following regulatory judgements on livin concluding:

Viable (V1) – The provider meets the requirements on viability set out in the Governance and Financial Viability standard and has the capacity to mitigate its exposures effectively (issued May 2014).

Properly Governed (G1) – The provider meets the requirements on governance set out in the Governance and Financial Viability standard (last issued January 2013).

VAT Shelter

As part of the transfer arrangements livin entered into a VAT shelter agreement with the Council which enables them to recover the VAT incurred on the capital investment works to the housing stock.

The agreement provided for the first £7.06m to be set-aside in order to clear the deficit on the Pension Fund in respect of those staff that TUPE transferred to livin after which any further proceeds would be split in the ratio 55:45 between livin and Durham County Council (DCC).

VAT shelter proceeds which arose after the repayment of the deficit were split as follows:-

- livin £1.413m
- DCC £1.156m

Capital structure and treasury policy

The Association's treasury management arrangements are considered below.

The Association borrowed a further £20.6m (2013 £19.00m) during the year, to finance its capital investment programme. £5.7m (2013 £2.8m) of this was repaid in March 2014. By the year end, Association borrowings totalled £72.6m (2013 £57.70m), £64.5m (2013 £52.5m) of which falls due to be paid after five years as shown over.

Maturity	2014 £m	2013 £m
Within one year	8.10	5.20
Between one and two years	-	-
Between two and five years	-	-
After five years	64.50	52.50
	72.60	57.70

The Association borrows from RBS, Barclays and Santander, at both fixed and floating rates of interest. Interest rate swaps are used to generate the desired interest profile and to manage the Association's exposure to interest rate fluctuations. The Association's policy is to have outstanding at any one time, a maximum of 30% variable rate loans, and 90% fixed rate loans. At the year-end, 89 % of the Association's borrowings were at fixed rates.

The range of interest rates on the outstanding amounts varies between 6.20% and 6.61% (including margins) for the fixed rate loans, and stands at 2.77% for the revolving loan. During the year, livin undertook a refinancing options appraisal as it seeks to reduce its cost of debt. This report was presented to Board on 19th March 2014 and the recommendation to commence discussions and negotiations with potential funders was agreed. In July 2014 livin appointed Royal Bank of Scotland to act as arrangers of this funding and Capita to act as project managers. Drawdown of the new funding is expected to be completed early in the 2015 calendar year.
During 2013/14, livin's Business Plan was revised and included updated estimates and assumptions on the impact of Welfare Reform. The estimated impact on rental income through changes to bad debts, arrears and void losses had a minimal impact on the forecast level of peak debt, which remains at £88.9m.

The Association's lending agreements require compliance with a number of financial and non-financial covenants. The Association's position is monitored on an on-going basis and reported to the Performance committee each quarter. Recent reports confirmed that the Association was in compliance with its loan covenants at the balance sheet date and the Board expects to remain compliant in the foreseeable future.

The Association had cash balances of £1,423k at 31 March 2014 (2013 £311K). The Association monitors cash flow forecasts closely to ensure sufficient funds are available to meet liabilities when they fall due, whilst not incurring unnecessary finance costs, by only drawing on loan facilities when required.

Interest Rate Risk

The Association finances its operations through a mixture of retained surpluses and bank borrowings. The organisations exposure to interest fluctuations on its borrowings is managed by the use of both fixed and variable rate facilities.

Liquidity Risk

The Association seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and invest cash assets safely and profitably. In addition to drawn borrowings The Association has £17.4million of undrawn committed facilities.

Credit Risk

The Association's principal credit risk relates to tenant arrears. This risk is managed by providing support to eligible tenants with their application for Housing Benefit and to closely monitor the arrears of self-funding tenants. The Welfare Reform and resulting changes to the benefits system has been identified as a key risk to the association, and a project team is currently assessing the impact of these changes and planning mitigations against them. The Association borrows and lends only in sterling and so is not exposed to foreign currency exchange rate risk.

Cash flows

Cash inflows and outflows during the year are shown in the cash flow statement (page 41).

The cash outflow from operating activities this year was £12.53m, against a budgeted cash outflow of £18.576m per the business plan.

Future developments

A key influence on the timing of borrowings is the rate at which the Association's Capital Investment programme in respect of modernising the existing housing stock and development of new homes takes place. The Board has approved plans to spend approximately £15.2m (after grant) during the next financial year to improve general housing (£7.6m in respect of Capital Improvements and bringing homes up to the decent homes standard and £9.3m after grant for the provision of new homes). £14.8m of the investment will be through new borrowings with the balance funded through the Association's rental income stream and accumulated reserves.

Expenditure of approximately £247,000 has been approved by the Board to be spent during the next financial year on ICT systems/equipment in line with the Association's ICT strategy.

The organisation continued the build of new homes under its Homes and Community Agency commitment during 2013/14, with 33 homes completed. The remaining 31 homes will be completed over the coming three financial years.

Table 1 – Association highlights, two year summary

For the year ended 31 March 14 Income and Expenditure Account	2014 £,000	2013 £,000
Total turnover	33,116	31,215
Operating surplus	6,638	6,330
Surplus for the year transferred to reserves	3,343	4,571
Balance Sheet	**£,000**	**£,000**
Housing homes, net of depreciation	100,372	81,888
Social Housing Grant and other grants	(4,532)	(2,504)
	95,840	79,384
Other fixed assets	5,051	5,119
Total Fixed assets	100,891	84,503
Current assets	4,047	4,708
Current liabilities	(15,481)	(15,357)
Total assets less current liabilities	89,457	73,854
Long term liabilities	64,579	52,579
Pensions liability	(470)	2,890
Revenue Reserve	25,348	18,385
	89,457	73,854

Housing homes owned at year end:	**No.**	**No.**
Social housing	8,525	8,577
Non-social housing	-	-
	8,525	**8,537**

Statistics: -	**2014**	**2013**
Operating surplus as % of turnover	20.0%	20.3%
Surplus for year as % of turnover	10.1%	14.6%
Rent losses *(voids and bad debts as % of rent and service charges receivable)*	3.7%	2.0%
Liquidity *(current assets divided by current liabilities)*	(0.26)	(0.31)
Total reserves per home owned	2,973	2,144

Donations

The Association donated £nil (2013 £300) to the Butterwick Hospital, £nil (2013 £117) to The Tony Blair Sports Foundation, £100 (2013 £nil) to Sedgefield Community Hospital and £2,360 (2013 £125) to The Foundation of Light.

No political donations were made.

Going concern

The Association'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 Association has in place long-term debt facilities (including £17.40 million of undrawn facilities at 31 March 2014), which provide adequate resources to finance committed reinvestment and development programmes, along with the Association's day to day operations. The Association also has a long-term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

The Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Internal controls assurance

The Board acknowledges its 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 assurance against material misstatement or loss.

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

Key elements of the control framework include:

- Adoption and compliance with the NHF 'Excellence in Governance code'.
- Board approved terms of reference and delegated authorities for audit and risk, performance and development, human resources committees and a scheme of delegation for the Chief Executive and Executive Directors.
- Clearly defined management responsibilities for the identification, evaluation and control of significant risks.
- Robust strategic and business planning processes, with detailed financial budgets and forecasts.
- Formal recruitment, retention, training and development policies for all staff.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.

- A sophisticated approach to treasury management which is subject to external review each year.
- Regular reporting to the appropriate committee on key business objectives, targets and outcomes.
- Board approved whistle-blowing and anti-fraud and corruption policies.
- Board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets.
- Regular monitoring of loan covenants and requirements for new loan facilities.

A fraud register is maintained and any identified frauds are reported to the Audit and Risk Committee on a quarterly basis. During the year there were no frauds identified.

The Board cannot delegate ultimate responsibility for the system of internal control but has delegated authority to the Audit and Risk committee to regularly review the effectiveness of the system of internal control. The Board receives Audit and Risk committee meeting minutes and where applicable would initiate follow up actions. The Audit and Risk committee has received the Chief Executive's annual review of the effectiveness of the system of internal control for the Association, and the annual report of the internal auditor, and has reported its findings to the Board.

National Housing Federation (NHF) Code of Governance

livin adopted the NHF's code of excellence in governance in 2010 and continues to follow and comply with the provisions of that code. This is a requirement of the regulatory framework and the Organisation annually conducts a self assessment of compliance with its adopted code. This assessment also considers the adopted code of conduct (NHF 2012 edition) and compliance against that. Full compliance against both codes is evidenced in the annual self assessment and there is only one area that livin deviates from (explains a failure to comply against). This relates to a conduct code (D2) presumption, within the good practice and excellence guidance section, against employing connected persons of Board or SMT members. livin has determined that such a provision would be a fetter of its discretion and potentially not in compliance with employment law. It has therefore built in appropriate safeguards via its probity policy to ensure fair and transparent recruitment exercises in such circumstances.

A review of livin's governance arrangements will be considered in terms of an assessment alongside any new framework implementation as to whether the Organisation's constitution, adopted code and NHF model Rules remain fit for purpose in light of any regulatory standard amendments but such a review may not occur until the 2015/16 year.

livin continues to remunerate Board Members in accordance with its constitutional powers and probity arrangements and any business case for remuneration has been and will continue to be assessed after having obtained appropriate independent advice.

Appraisal of Board Members as a whole and collectively is an annual process and is also independently facilitated. This assists in ensuring an appropriate development plan for members and also in ensuring the business has an appropriately skilled Board to manage the business it conducts.

The procedure for electing tenant board members involves a rule compliant indirect election process whereby a Tenant Interview Panel, defined within Standing Orders, elect new members in accordance with the Board Membership/Shareholding and Recruitment Policy and Procedure of the Association.

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

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

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

In preparing those financial statements the Board is required to:

- Select suitable accounting policies and apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards and the *Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2010* have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board is responsible for keeping proper accounting records 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 and the Accounting Direction for Private Registered Providers of Social Housing 2012. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Annual general meeting

The annual general meeting will be held on 18 September 2014 at livin's headquarters, Spennymoor County Durham.

Disclosure of information to auditors

At the date of making this report each of the Association's Board members, as set out on page (i), confirm the following:

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

External auditors

In October 2012, Grant Thornton LLP were re-appointed as auditors on a three year contract.

Statement of compliance

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

The report of the Board was approved by the Board on 18 September 2014 and signed on its behalf by:

Ian Youll
Chairman

Independent auditor's report to the members of Livin Housing Limited

We have audited the financial statements of Livin Housing Limited for the year ended 31 March 2014 which comprise the income and expenditure account, the statement of total recognised surpluses and deficits, the reconciliation of movement in funds, the balance sheet, the cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with regulations made under Section 8 of Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the housing 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 housing association and the housing association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditors

As explained more fully in the Statement of Board Responsibilities (set out on page 34), the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at
www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Association's affairs as at 31 March 2014 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012;

Matters on which we are required to report by exception

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

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

Grant Thornton UK LLP

Grant Thornton UK LLP
Chartered Accountants and Registered Auditors
Leeds,
England

Date: 23rd September 2014

	Note	2014 £'000	2013 £'000
Turnover	3	33,116	31,215
Operating costs	3	(26,478)	(24,885)
Operating surplus		6,638	6,330
Loss on sale of fixed assets – housing homes	6	(139)	(19)
Interest receivable and other income	7	1,282	1,696
Interest payable and similar charges	8	(4,438)	(3,436)
Surplus on ordinary activities before taxation		3,343	4,571
Tax on surplus on ordinary activities		-	-
Surplus for the financial year	23	3,343	4,571

The accompanying notes form part of these financial statements.

All activities of the Association are classed as continuing.

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

The financial statements were approved by the Board of Directors on 18 September 2014

Ian Youll	**Alan Fletcher**	**Alan Smith**
Chair	**Vice chair**	**Secretary**

STATEMENT OF TOTAL RECOGNISED SURPLUSES AND DEFICITS

	Note	2014 £'000	2013 £'000
Surplus for the financial year		3,343	4,571
Actuarial gain relating to pension scheme	9	3,620	1,140
Total recognised surpluses relating to the year		6,963	5,711

RECONCILIATION OF MOVEMENTS IN ASSOCIATION'S FUNDS

	2014 £'000	2013 £'000
Opening total funds	18,385	12,674
Total recognised surpluses relating to the year	6,963	5,711
Closing total funds	25,348	18,385

The accompanying notes form part of these financial statements.

LIVIN HOUSING LIMITED
BALANCE SHEET
As at 31 March 2014

	Note	2014 £'000	2013 £'000
Tangible fixed assets			
Housing homes	11	100,372	81,888
Social housing grant	11	(4,049)	(2,046)
Other grants	11	(483)	(458)
		95,840	79,384
Other tangible fixed assets	12	5,041	5,109
Investments	13	10	10
		100,891	84,503
Current assets			
Homes for Sale	14	71	-
Debtors	15	2,333	4,359
Cash at bank and in hand		1,643	349
		4,047	4,708
Creditors: Amounts falling due within one year	16	(15,481)	(15,357)
Net current liabilities		(11,434)	(10,649)
Total assets less current liabilities		89,457	73,854
Creditors: Amounts falling due after more than one year	17	64,579	52,579
Provisions for liabilities and charges			
Net pension (asset) / liability	9	(470)	2,890
		64,109	55,469
Capital and reserves			
Revenue reserve	23	25,304	18,376
Designated reserve	23	44	9
Association's funds		25,348	18,385
		89,457	73,854

The financial statements were approved by the Board of Directors on 18 September 2014

Ian Youll	**Alan Fletcher**	**Alan Smith**
Chair	**Vice chair**	**Secretary**

The accompanying notes form part of these financial statements.

LIVIN HOUSING LIMITED
CASH FLOW STATEMENT
For the year ended 31 March 2014

	Note	2014 £'000	2013 £'000
Net cash inflow from operating activities	24	12,530	10,847
Returns on investments and servicing of finance			
Interest received		25	40
Interest paid		(4,305)	(3,232)
Net cash outflow from returns on investments and servicing of finance		(4,280)	(3,192)
Taxation			
Corporation tax paid		-	-
Capital expenditure and financial investment			
Purchase and construction of housing homes		(11,980)	(7,123)
Social housing grant received		2,003	1,174
Other capital grant received		25	28
Investment / improvement of housing homes		(12,624)	(17,494)
Purchase of other fixed assets		(134)	(23)
Sale of housing homes		671	433
Sale of other fixed assets		1	12
Net cash outflow from capital expenditure and financial investment		(22,038)	(22,993)
Net cash outflow before financing		(13,788)	(15,338)
Financing			
Loans received		20,600	19,000
Loans repaid		(5,700)	(3,250)
Net cash inflow from financing		14,900	15,750
Increase in cash		1,112	412

The accompanying notes form part of these financial statements.

1 Legal status

The Association is registered under the Co-operative and Community Benefit Societies Act 2014 and is a registered housing provider.

2 Accounting Policies

Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) and, the Statement of Recommended Practice (SORP): Accounting by Registered Social Housing Providers Update 2010 and comply with the Accounting Direction for Private Registered Providers of Social Housing 2012.

livin holds a share in a joint venture, Spirit Regeneration and Development Co LLP. This interest has been disclosed as an investment in these accounts. The results and assets and liabilities of the joint venture have not been accounted for under the equity method of accounting on the basis that the amounts are not material in the year ended 31 March 2014.

Going Concern

The Association's business activities, its current financial position and factors that are likely to affect its future development are set out within the Operating and Financial Review. livin has long term debt facilities in place which provide adequate financial resources for reinvestment and development programmes along with financial cover for day to day operations. livin also has a 30 year business plan which shows it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the board has a reasonable expectation that there are adequate resources to continue operational existence for the foreseeable future, being a period of at least twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Turnover

Turnover represents rental income receivable for the period (i.e. rent due (rent debit) less rent loss due to voids), service charges receivable, any revenue grants receivable and income from any other goods or services included at invoiced value (excluding VAT) and commission on water rates collection.

Revenue Recognition

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

Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Social Housing Grant

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

SHG due from the HCA or received in advance is included as a current asset or liability.

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

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

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the individual component is released to the income and expenditure account. Upon disposal of the associated property, the Association is required to recycle these proceeds.

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

Website development costs
The Association has developed a website which is used to promote its activities and as a management tool for monitoring and evaluating responsive repairs. Planning, design and content development costs are charged as operating costs as incurred. On-going costs of maintaining and operating the website are also charged as operating costs as incurred.

Social Housing Homes and Other Fixed Assets
Social Housing Homes are principally available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, incidental costs of acquisition and directly attributable development administration costs. Cost also includes expenditure on the replacement of key building components incurred as part of the planned improvement programme.

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

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

Where expenditure is incurred on an asset which does not meet the definition of capital expenditure, such as general repairs to the housing stock, it will be charged to the Income and Expenditure Account in the year in which it is incurred.

Any single repair costing £1,000 or more will be separately assessed to determine whether capitalisation is appropriate.

The Association will not capitalise expenditure on assets such as land, equipment and computer software which costs less than the following de-minimus thresholds and it will be charged to the Income and Expenditure Account in the year in which it is incurred.

Asset	
Land	£ 1,000
Office equipment and furniture	£10,000
Computer equipment and software	£ 5,000
Vehicles and plant	£10,000

Homes held on leases are amortised over the life of the lease or the estimated useful economic life, if shorter.

Assets under construction
No depreciation is charged during the period of construction.

Depreciation of Tangible Fixed Assets
Depreciation charges reflect the write down of the net book value of fixed assets to their estimated residual value over their estimated useful lives, on a straight line basis. No depreciation is charged for land.

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

The following useful economic lives for identified components have been applied:

Fixed Asset Classification	Asset Life
Existing Structure	50 years
Kitchens and Bathrooms	15 years
Central Heating	15 years
Roofing and External Works	up to 50 years
Rewiring Works	15 years
Doors and Windows	15 years

Other Fixed Assets	
Office Equipment and Furniture	5 years
Computer Equipment	3 years
Offices	50 years

Impairment
The Association undertakes impairment reviews when the useful life of the housing homes exceeds 50 years. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

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

Leased Assets
Rentals payable under operating leases will be charged on a straight line basis over the term of the lease.

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

Fixed Asset Investments
Investments are stated at historical cost.

Designated Reserves
The Association will designate those reserves that have been set aside for specific uses which prevent them, in the judgment of the Board, from being regarded as part of the free reserves of the Association.

The Big Lottery Fund Reserve
This reserve has been created by the Big Lottery Funded project known as Monkey (money is the key). This project is aimed at providing support and advice to young (16 to 24 year old existing tenants in rent arrears) and new tenants by ensuring they have access to affordable finance, fuel and furniture services and products. Tenants will be supported by increasing their skills and confidence to be able to use these services and develop an understanding of the relevance of financial inclusion and capability services.

Pensions
The Association participates in the Durham County Council Local Government Pension Scheme, which is a defined benefit final salary scheme. The assets of the scheme are invested and managed independently of the Association.

Pension costs are assessed in accordance with the advice of an independent qualified actuary. For the Durham County Council Local Government Pension Scheme, assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent it is recoverable by the Association.

The current service cost and costs from settlement and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the Statement of Total Recognised Surpluses and Deficits.

Rental arrears
A provision for bad and doubtful debts is made on an estimation of those debts at the balance sheet date which are considered to be potentially irrecoverable.

Value Added Tax (VAT)
The Association is VAT registered, but the majority of its income (from rents) is classified as an exempt supply for VAT purposes. Payments that are subject to VAT (Input VAT) that cannot be re-claimed are, therefore, recorded by the Association inclusive of the irrecoverable VAT. The balance of VAT payable or recoverable at the year end is included as a current liability or asset respectively.

Development Agreement
The Association has entered into agreements with Durham County Council (the Council) whereby the undertaking of catch up repairs and improvement works remained with the Council with that obligation subcontracted to the Association. The related debtor and creditor balances in relation to the transactions under these agreements have been offset in the balance sheet.

Right to Buy Sales
The gains or losses on disposal of Social Housing Homes under Right to Buy arrangements are calculated as being the difference between the proceeds of a sale of a property and the net book value of that property.

The gains or losses on disposal of Right to Buy Social Housing Homes are recognised in the Income and Expenditure Account at the date of legal completion after deducting the element of proceeds that is payable to the local authority under the Right to Buy sharing arrangement.

Interest
Interest payable is charged to the Income and Expenditure account in the year.

Liquid Resources
For the purposes of the cash flow statement, cash comprises cash in hand and deposits repayable on demand less overdrafts repayable on demand. Liquid resources are current asset investments that are readily disposable without curtailing or disrupting the business and are readily convertible into known amounts of cash at or close to their carrying values.

Taxation
The Association has charitable status and therefore is outside the scope of Corporation Tax on its charitable activities by virtue of section 505(1) Income and Corporation Taxes Act 1988 and from capital gains tax by virtue of Section 145 Capital Gains Tax Act 1979.

Reserves
livin establishes restricted reserves for specific purposes where their use is subject to external restrictions.

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

Continuing activities

	2014 Turnover £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	31,627	(25,588)	6,039
Other social housing activities			
Garage lettings	696	(518)	178
Big lottery project	157	(122)	35
Non-social housing activities			
Lettings	267	(250)	17
Other Income	369	-	369
	33,116	(26,478)	6,638

	2013 Turnover £ '000	Operating costs £ '000	Operating surplus £ '000
Social housing lettings	29,796	(24,246)	5,550
Other social housing activities			
Garage lettings	712	(408)	304
Big lottery project	36	(27)	9
Non-social housing activities			
Lettings	283	(204)	79
Other Income	388	-	388
	31,215	(24,885)	6,330

Particulars of income and expenditure from social housing lettings

	2014			2013
	General needs housing £'000	Housing for older people £'000	Total £'000	Total £'000
Rent receivable net of identifiable service charges	20,885	10,615	31,500	29,622
Service income	23	104	127	174
Net rental income	20,908	10,719	31,627	29,796
Turnover from social housing lettings	20,908	10,719	31,627	29,796
Management and support services	(5,624)	(3,542)	(9,166)	(8,569)
Routine maintenance	(5,561)	(2,622)	(8,183)	(7,393)
Planned maintenance	(759)	(401)	(1,160)	(1,779)
Bad debts	(215)	(116)	(331)	(298)
Depreciation of housing homes	(3,729)	(1,570)	(5,299)	(4,125)
Payment to DCC (VAT sharing agreement)	(750)	(406)	(1,156)	(1,655)
Other costs	(190)	(103)	(293)	(427)
Operating costs on social housing lettings	(16,828)	(8,760)	(25,588)	(24,246)
Operating surplus on social housing lettings	4,080	1,959	6,039	5,550
Void losses	741	170	911	325

Included in Interest receivable and other income (note 7) is £1,156k (2013 £1,655k) received relating to the VAT shelter.

Particulars of turnover from non-social housing lettings

	2014 £'000	2013 £'000
Commercial homes	189	194
Other	78	89
	267	283

4 Accommodation in management and development

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

	2014 No	2013 No
Social housing		
General housing		
- social rent	5,077	5,249
- affordable rent	571	278
- Shared Ownership	2	-
Supported housing and housing for older people	2,875	3,050
Total owned and managed	8,525	8,577

5 Operating surplus

The operating surplus is arrived at after charging:

	2014 £ '000	2013 £ '000
Depreciation of housing homes	5,310	3,930
Depreciation of other tangible fixed assets	202	202
Profit on disposal of non housing homes	1	12
Operating lease rentals		
- land and buildings	109	61
- office equipment and computers	186	187
- motor vehicles	52	61
Auditors' remuneration (excluding VAT)		
- for audit services	19	18
- tax compliance services	1	-
- other services	3	3

6 Surplus on sale of fixed assets - housing homes

	2014 £ '000	2013 £ '000
Disposal proceeds	1,128	680
Less administration charges	(43)	(26)
Less amount payable to Durham County Council	(414)	(221)
Net disposal proceeds	671	433
Carrying value of fixed assets	(810)	(373)
	(139)	60
Capital grant recycled	-	(79)
	(139)	(19)

7 Interest receivable and other income

	2014 £ '000	2013 £ '000
Interest receivable	25	40
Interest receivable for pension scheme	100	-
VAT shelter income	1,156	1,655
Other income	1	1
	1,282	1,696

8 Interest payable and similar charges

	2014 £ '000	2013 £ '000
Loans and bank overdrafts	4,438	3,426
Interest costs for pension scheme	-	10
	4,438	3,436

9 Employees

Average monthly number of employees expressed as full time equivalents:

	2014 No.	2013 No.
Administration	55	52
Property and Development	49	52
People and Communities	61	59
	165	163

Employee costs:	2014 £ '000	2013 £ '000
Wages and salaries	4,923	4,697
Social security costs	364	356
Other pension costs	512	509
	5,799	5,562

Included in Employee costs are early retirement and voluntary redundancy costs totalling £106,748 (2013 £26,688).

The Association's employees are eligible to be members of Durham County Council Local Government Pension Scheme. Further information is given below.

Durham County Council Local Government Pension Scheme

Durham County Council Pension Fund (DCCPF)

The DCCPF is a multi-employer scheme, administered by Durham County Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2014 and rolled forward, allowing for different financial assumptions required under FRS 17, to 31 March 2014 by a qualified independent actuary.

The employers' contributions to the DCCPF by the Association for the year ended 31 March 2014 were £511,890 (2013 £486,070) at a contribution rate of 12.5% of pensionable salaries.

Estimated employers' contributions to the DCCPF during the accounting period commencing 1 April 2015 are £350,000.

Financial assumptions

	31 March 2014 % per annum	31 March 2013 % per annum
Discount rate	4.4	4.7
Future salary increases	3.9	4.7
Future pension increases	2.4	2.8
Inflation assumption - RPI	3.4	3.7
Inflation assumption - CPI	2.4	2.8

Mortality assumptions

The mortality assumptions are based on the recent actual mortality experience of members within the Fund and allow for expected future mortality improvements.

The assumed life expectations on retirement at age 65 are:

	2014 No. of years	2013 No. of years
Retiring today:		
- Males	22.5	22.1
- Females	25.0	24.3
Retiring in 20 years:		
- Males	24.7	23.9
- Females	27.3	26.2

Expected return on assets

livin employs a building block approach in determining the rate of return on fund assets. Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles. The assumed rate of return on each asset class is then derived by aggregating the expected return for each asset class over the actual asset allocation for the fund at 31 March 2014.

The expected returns on assets are:	**31 March 2014 % pa**	**31 March 2013 % pa**
Equities	7.6%	7.8%
Gilts	3.4%	2.8%
Bonds	4.0%	3.8%
Homes	6.9%	7.3%
Cash	0.9%	0.9%
Other	7.6%	7.8%

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

Year ended 31 March	**2014 £'000**	**2013 £ '000**
Current service cost	850	750
Past service cost	-	20
Expected return on scheme assets	(1,330)	(1,140)
Interest on scheme liabilities	1,230	1,150
Total	750	780
Actual return on scheme assets	1,470	2,550

Analysis of amount recognised in Statement of total recognised surpluses and deficits (STRSD)

Year ended 31 March	**2014 £'000**	**2013 £'000**
Actuarial gain / (loss) in pension scheme recognised in STRSD	3,620	1,140
Cumulative actuarial (loss) recognised in STRSD	(810)	(4,430)

Amounts recognised in the balance sheet

Net pension asset / (liability) at 31 March	**2014 £'000**	**2013 £'000**
Present value of funded obligation	(24,420)	(25,790)
Fair value of scheme assets (bid value)	24,890	22,900
Net asset / (liability) recognised in balance sheet	470	(2,890)

Reconciliation of opening and closing balances of the present value of scheme liabilities	**2014**	**2013**
	£'000	**£'000**
Opening scheme liabilities	(25,790)	(23,530)
Current service cost	(850)	(750)
Past service cost	-	(20)
Interest cost	(1,230)	(1,150)
Contributions by scheme participants	(260)	(260)
Actuarial gain / (loss)	3,480	(270)
Benefits paid	230	190
Closing scheme liabilities	(24,420)	(25,790)

Reconciliation of opening and closing balances of the fair value of scheme assets	**2014**	**2013**
	£'000	**£'000**
Opening fair value of scheme assets	22,900	19,770
Expected return on scheme assets	1,330	1,140
Actuarial gains	140	1,410
Contributions by employer	490	510
Contributions by scheme participants	260	260
Benefits paid	(230)	(190)
Closing fair value of scheme assets	24,890	22,900

Major categories of plan assets as a percentage of total plan assets	**31 March 2014**	**31 March 2013**
	% pa	**% pa**
Equities	53.7%	52.7%
Gilts	26.2%	27.2.%
Bonds	8.8%	10.1%
Homes	6.8%	7.3%
Cash	4.3%	2.7%
Other	0.2%	0.0%

History of asset values, present value of liabilities and surplus / deficit	**Year ended 31 March 2014**	**Year ended 31 March 2013**
	£'000	**£'000**
Fair value of assets	24,890	22,900
Present value of liabilities	(24,420)	(25,790)
Surplus/(Deficit)	470	(2,890)

History of experience gains and losses

	Year ended 31 March 2014	Year ended 31 March 2013
Experience gains / (losses) on assets		
Amount (£000's)	140	1,410
Percentage of assets	0.6%	6.2%
Experience gains / (losses) on liabilities		
Amount (£000's)	(360)	-
Percentage of the present value of the liabilities	1.5%	0.0%

Estimated pension cost in future years
Set out below is an estimate of the charge in future years, together with the assumptions used.

Financial assumptions

	% per annum
Discount rate	4.4
Future salary increases	3.9
Future pension increases	2.4
Inflation assumption - RPI	3.4
Inflation assumption – CPI	2.4

The expected returns on assets are:

Asset Class	**% pa**
Equities	7.6%
Gilts	3.4%
Bonds	4.0%
Homes	6.9%
Cash	0.9%
Other	7.6%
Average Return	**5.8%**

Analysis of Estimated Income and Expenditure charge for years ended 2015 and 2016 – Funded Benefits

	2015 £'000	2016 £'000
Current service cost	730	760
Interest cost	1,090	1,170
Expected return on assets	(1,450)	(1,560)
Total	370	370

Amounts for the current and previous four accounting periods

	2014	2013	2012	2011
	£’000	£'000	£’000	£'000
Present value of scheme liabilities	(24,420)	(25,790)	(23,530)	(20,100)
Fair value of scheme assets	24,890	22,900	19,770	16,470
Deficit on scheme	470	(2,890)	(3,760)	(3,630)
Experience adjustment on plan liabilities	(360)	-	(10)	(1,150)
Experience adjustment on plan assets	140	1,410	(470)	360

10 Board Members and Executive Directors

	2014			2013
	Basic salary and Benefits in Kind	Pension contributions	Total	Total
	£'000	£'000	£'000	£'000
Board members	35	-	35	16
Executive Directors	406	45	451	437

The full time equivalent number of staff who received remuneration, including Directors:

	2014	2013
	No. of employees	No. of employees
£60,001 and £70,000	6	-
£70,001 and £80,000	-	-
£80,001 and £90,000	-	2
£90,001 and £100,000	4	1
£100,001 and £110,000	-	-
£110,001 and £120,000	-	1
£120,001 and £130,000	1	-
	11	4

Individual Board Members levels of remuneration	**2014 £'000**	**2013 £'000**
Ian Youll (Chair)	10	5
Alan Cargill (to 31/03/2013)	-	3
Adele Barnett (from 19/09/2013)	3	-
Alan Fletcher	5	1
Ian Gillespie	4	2
Jonothan Hitchen	3	1
Doug Hollingworth (to 19/09/2013)	2	2
Lucy Hovvels	-	-
Andrew Lowery (from 18/07/2013)	2	-
Jonathan Mallen-Beadle	4	2
Clare Reilly (from 18/07/2013)	2	-
	35	16

Local authority nominees are presently not remunerated.

The emoluments of the highest paid Director (Chief Executive), excluding pension contributions, were £120,108 (2013 £116,000). The pension contributions made during the period were £13,650 (2013 £13,000).

The highest paid Director is a member of the Durham County Council Pension Fund. They are an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for this Director.

The number of directors accruing benefits under the pension scheme at 31 March 2014 was 4 (2013: 4).

Board members

Board remuneration levels and calculations are recommended following the receipt of independent advice and adoption of an appropriate remuneration policy in accordance with livin's rules and probity policy. Performance assessment is conducted through collective and individual annual appraisal of Board and Role Profiles and contracts for services are agreed with all Board Members to assist in assessing performance.

Board remuneration as a percentage of turnover is 0.1% (2013 0.05%)

11 Tangible fixed assets – homes

Housing homes	Social housing homes held for letting	Non-social housing homes held for letting	Housing homes for letting under construction	Total housing homes
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2013	86,510	294	4,183	90,987
Additions	7,239	-	4,741	11,980
Works to existing homes	12,624	-	-	12,624
Transferred from other fixed assets	4,104	-	(4,104)	-
Disposals	(923)	-	-	(923)
At 31 March 2014	109,554	294	4,820	114,668
Depreciation and impairment				
At 1 April 2013	(9,076)	(23)	-	(9,099)
Charged in year	(5,299)	(11)	-	(5,310)
Impairment	-	-	-	-
On disposals	113	-	-	113
At 31 March 2014	(14,262)	(34)	-	(14,296)
Social housing grants				
At 1 April 2013	(1,670)	-	(376)	(2,046)
Additions	(1,234)	-	(769)	(2,003)
Transferred from other fixed assets	(376)	-	376	-
To Recycled Capital Grant Fund	-	-	-	-
At 31 March 2014	(3,280)	-	(769)	(4,049)
Other grants				
At 1 April 2013	(458)	-	-	(458)
Additions	(25)	-	-	(25)
At 31 March 2014	(483)	-	-	(483)
Net Book Value				
At 31 March 2014	91,529	260	4,051	95,840
At 31 March 2013	75,306	271	3,807	79,384

Expenditure on works to existing homes

	2014	2013
	£'000	£'000
Amounts capitalised as components	12,624	19,633
Amounts charged to the income and expenditure account	958	1,095
	13,582	20,728

Housing homes book value, net of depreciation and grants
Impairment
livin considers individual schemes to be separate Income Generating Homes when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 11 – Impairment of Fixed Assets and Goodwill.

During the current year, livin recognised an impairment loss of £nil (2013 Nil).

Social Housing Grant

Total accumulated Social Housing Grant Received or receivable at 31st March	2014	2013
Capital grant	3,359	2,125
Revenue grant	6	5
	3,365	2,130

12 Tangible fixed assets – other

	Offices	Computers and office equipment	Total
	£'000	£'000	£'000
Cost			
At 1 April 2013	5,245	232	5,477
Additions	35	99	134
At 31 March 2014	5,280	331	5,611
Depreciation			
At 1 April 2013	(220)	(148)	(368)
Charged in year	(156)	(46)	(202)
At 31 March 2014	(376)	(194)	(570)
Net Book Value			
At 31 March 2014	4,904	137	5,041
At 31 March 2013	5,025	84	5,109

13 Investments

	2014	2013
	£'000	£'000
Investment in collaboration agreement	10	10

livin is a member of the Spirit Regeneration and Development Co. LLP. This is an agreement which allows livin to deliver its development programme in line with HCA requirements.

14 Homes for sale

	2014	2013
	£'000	£'000
Homes completed for Shared Ownership	71	-

15 Debtors

	2014	2013
	£'000	£'000
Due within one year		
Rent and service charges receivable	2,201	1,704
Less: provision for bad and doubtful debts	(900)	(787)
	1,301	917
Trade debtors	282	304
Social housing grant receivable	397	197
Other capital grant receivable	25	-
Other debtors	177	2,918
Prepayments and accrued income	151	23
	2,333	4,359

Included in Other debtors is £nil (2013 £11,707) relating to Grant receivable from the Big Lottery Grant Fund and £nil (2013 £1,967,896) held in a solicitors client account for the purchase of housing which were legally transferred to livin on 31 July 2013.

16 Creditors: amounts falling due within one year

	2014	2013
	£'000	£'000
Debt (note 19)	8,320	5,238
Trade creditors	743	5,005
Rent and service charges received in advance	243	175
Social Housing grant received in advance	-	13
Other taxation and social security	108	112
Other creditors	1,590	1,911
Accruals	4,477	2,903
	15,481	15,357

Included in Other creditors is £1.156m (2013 £1.655m) owed to DCC in respect of the VAT shelter and £49,842 (2013 £nil) relating to grant received in advance from the Big Lottery Fund.

17 Creditors: amounts falling due after more than one year

	2014	2013
	£'000	£'000
Debt (note 19)	64,500	52,500
Trade creditors	-	-
Recycled capital grant fund (note 18)	79	79
	64,579	52,579

18 Recycled capital grant fund

	2014	2013
	£'000	£'000
At 1st April	79	-
Grants recycled	-	79
Withdrawals	-	-
At 31 March	79	79
Amount of grant due for repayment to HCA	-	-

19 Debt analysis

Borrowings

	2014	2013
	£'000	£'000
Due within one year		
Bank overdraft	220	38
Bank loans	8,100	5,200
	8,320	5,238

	2014	2013
	£'000	£'000
Due after more than one year		
Bank loans	64,500	52,500
	64,500	52,500

20 Security

The bank loans are secured by a floating charge over the assets of the Association and by fixed charges on individual homes.

21 Terms of repayment and interest rates

The bank loans are repayable upon maturity at an average rate of interest of 3.8325% together with the Bank's margin which is currently 2.25%. The loans mature in 2034.

At 31 March 2014 the Association had available further loan facilities of £17.4m (2013 £32.3m).

Based on the lender's earliest repayment date, borrowings are repayable as follows:

	2014	2013
	£'000	£'000
Within one year or on demand	8,100	5,200
Five years or more	64,500	52,500
	72,600	57,700

22 Non-equity share capital

	2014	2013
	£	£
Shares of £1 each issued and fully paid		
At 1 April and 31 March	9	9

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 Reserves

	Revenue reserve	Designated reserve	Total reserves
	£'000	£'000	£'000
At 1 April 2013	18,376	9	18,385
Surplus for the year	3,308	35	3,343
Actuarial gain relating to pension scheme	3,620	-	3,620
At 31 March 2014	25,304	44	25,348

The designated reserve relates to a surplus on the Big Lottery Grant Fund to provide financial inclusion advice.

24 Net cash inflow from operating activities

	2014	2013
	£'000	£'000
Operating surplus	6,638	6,330
Depreciation of tangible fixed assets	5,512	4,132
Impairment of tangible fixed assets	-	-
Surplus on disposal of tangible fixed assets	(1)	(12)
Defined benefit pension scheme operating charge	850	750
Defined benefit pension scheme contributions paid	(490)	(510)
VAT shelter income	1,156	1,655
	13,665	12,345
Working capital movements		
Decrease/(increase) in Debtors	2,026	(2,080)
(Decrease)/increase in Creditors	(3,161)	582
Net cash inflow from operating activities	12,530	10,847

25 Reconciliation of net cash flow to movement in net debt

	2014	2013
	£'000	£'000
Increase in cash	1,112	412
Cash inflow from increase in debt	(14,900)	(15,750)
Change in net debt resulting from cash flows	(13,788)	(15,338)
Movement in net debt for the period	(13,788)	(15,338)
Net debt at 1 April	(57,389)	(42,051)
Net debt at 31 March	(71,177)	(57,389)

26 Analysis of changes in net debt

	1 April 2013	Cashflow	31st March 2014
	£'000	£'000	£'000
Cash at bank and in hand	349	1,294	1,643
Bank overdraft	(38)	(182)	(220)
Changes in cash	311	1,112	1,423
Loans	(57,700)	(14,900)	(72,600)
Changes in debt	(57,700)	(14,900)	(72,600)
Changes in net debt	(57,389)	(13,788)	(71,177)

27 Capital commitments

	2014	2013
	£'000	£'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	5,369	6,387
Expenditure authorised by the Board, but not contracted	24,856	31,891
	30,225	38,278

The above commitments will be financed primarily through borrowings which are available for draw-down under existing loan arrangements. Additional funding will be through new finance and HCA grant. livin submitted a bid for the Affordable Homes Programme (phase 2) and the level of HCA grant attached to this is yet to be determined. The remaining capital commitments will be funded through revenue reserves.

Stock transfer obligations regarding housing homes

The Association entered into a Stock Transfer Agreement to acquire the housing homes of the former Sedgefield Borough Council (SBC) on 30 March 2009. Immediately prior to entering into the Stock Transfer Agreement, SBC contracted with the Association to complete the refurbishment works necessary to bring the housing homes up to an agreed standard. The contract was for a fixed sum of £248.694m equal to the expected costs of the work. At transfer, the Association contracted with SBC to acquire the benefit of SBC's obligation to carry out the refurbishment works £248.694m plus the housing homes at a price equal to the agreed value of the property in its unenhanced condition (£4.1m). A right of set off exists between the contracts. These contracts have enabled the Association to recover VAT on improvement costs that would otherwise have been expensed.

At the time of transfer, no monies were deemed due to SBC in relation to the above transactions, by virtue of the right to set off these contracts.

The impact of these transactions is that whilst SBC (DCC) has a legal obligation to complete the improvement works, this work has been contracted back to the Association who are also legally obligated. The underlying substance of the transaction is therefore that the Association has acquired the homes in their unenhanced condition at their agreed value, and will complete certain agreed improvements in line with guarantees to tenants of not less than £248.694m. The risks and responsibilities to the Association arising from this arrangement would be identical had these transactions not been entered into. As a result, the contractual assets and liabilities have been ignored for accounts purposes.

The Association had a liability in respect of the deficit on the Durham County Council Pension Fund in respect of employees who transferred from SBC to Sedgefield Borough Homes on the 30 March 2009. The liability amounted to £6.52m and was paid off from proceeds from the VAT shelter over a three year period ending 31 March 2012.

Following transfer and a full valuation of the pension fund in respect of livin's liability the amount paid over to clear the transfer deficit was £7.060m (including interest).

VAT shelter receipts paid into the fund during the period amounted to £nil (2013 Nil). Sums received from the VAT shelter are split between Durham County Council and livin in the ratio 45:55. livin's share will be used to fund new development works.

28 Contingent assets / liabilities

The Association had no contingent assets or liabilities as at the 31 March 2014 (2013 £nil).

29 Leasing commitments

	2014		2013	
	Land and Buildings £'000	Other Assets £'000	Land and Buildings £'000	Other Assets £'000
In one year or less	12	147	3	160
Between one & two years	-	3	-	4
Between two to five years	-	-	-	12
Over five years	94	9	56	-
	106	159	59	176

30 Related parties

There were four tenant board members at the year end. Jonothan Hitchen and Alan Fletcher who were board members throughout the year, were joined by Clare Reilly and Andrew Lowery (both appointed to the vacant positions on 18 July 2013). Their tenancies are on normal commercial terms and they are not able to use their position to their advantage.

Six members of the Board Kevin Thompson (appointed 18 July 2013), Mike Dixon (appointed 18 July 2013), Gary Huntington (withdrew 13 June 2013), Sarah Iveson (withdrew 13 June 2013), Brian Stephens and Lucy Hovvels are Councillors with Durham County Council a local authority having nomination rights over tenancies for certain Association homes. All transactions with the council are on normal commercial terms and none of them are able to use their position to any advantage.