

ROSEBERY

HOUSING ASSOCIATION

LH4026

Report and Financial Statements

For the year ended 31 March 2017

Rosebery Housing Association Limited
Charitable Registered Society under the Co-operative & Community Benefit
Societies Act 2014 No. IP27671R

Registered Office:
Newplan House
41 East Street
Epsom
Surrey
KT17 1BL

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ROSEBERY HOUSING ASSOCIATION LIMITED

BOARD AND MANAGEMENT DETAILS

For the year ended 31 March 2017

Charitable Registered Society
registration number:

27671R

Registered Provider
registration number:

LH4026

Registered Office:

Newplan House
41 East Street
Epsom
Surrey KT17 1BL

Board:

Stephen Barklem	Chair
Florence Barras	
Jon Milburn	Resigned 20 September 2016
Paul Williams	Vice Chair
Mark McJennett	
Sukhraj Dhadwar	
Mak Akinyemi	
Deborah Pike	Executive

Senior Management Team:

Deborah Pike	Chief Executive
Ian Kennedy	Operations Director
Graham Oliver	Finance Director
Jason McIntyre	Director of Development and New Business

Company Secretary:

Graham Oliver

ROSEBERY HOUSING ASSOCIATION LIMITED**ADVISORS AND BANKERS**For the year ended 31 March 2017

**External
Auditors**

BDO LLP
2 City Place
Beehive Ring Road
Gatwick
West Sussex RH6 OPA

**Internal
Auditors**

Mazars LLP
Tower Bridge House
St Katherine's Way
London E1W 1DD

**Legal
Advisors**

Trowers and Hamlin Solicitors
3 Bunhill Row
London EC1Y 8YZ

Capsticks Solicitors LLP
1 St. George's House East
St. George's Road Wimbledon,
London SW19 4DR

Sharratts (London) Solicitors
1 The Old Yard
Rectory Lane, Brasted
Westerham
Kent TN16 1JP

Cripps Harries Hall LLP
Wallside House
12 Mount Ephraim Road
Tunbridge Wells TN11 1EG

Devonshires LLP
30 Finsbury Circus
London EC2M 7DT

Bankers

National Westminster Bank
115 The High Street
Epsom
Surrey KT19 8DX

Funders

The Royal Bank of Scotland
Level 7, Premier Place
2 ½ Devonshire Square
London EC2M 4BA

Santander
2 Triton Square
Regents Place
London NW1 3AN

M & G Investment Management Ltd
5 Laurence Pountney Hill,
London EC4R 0HH

Valuers

Jones Lang Lasalle Limited
Clifton Down House
Beaufort Buildings
Clifton Down
Clifton
Bristol BS8 4AN

Financial Advisors

Centrus Advisors LLP
Mermaid House
2 Puddle Dock
London EC4V 3DB

ROSEBERY HOUSING ASSOCIATION LIMITED

FINANCIAL REVIEW AND BOARD REPORT

For the year ended 31 March 2017

REPORT OF THE BOARD OF MANAGEMENT

The Board presents its annual report and the audited financial statements for the year ended 31 March 2017.

Principle Activities and Review of the Business

The Association's principal activity is to provide affordable homes and services as a Registered Provider.

Effects of material estimates and judgements upon performance

The main judgements and estimates affecting the performance of the Association relate to:

- The carrying value of properties, where no impairment has been identified during the year
- The estimated useful lives of properties and the components that form part of them, as detailed in Note 2 to the financial statements; and
- The assumptions used to calculate the defined benefit pension liability, details of which are provided in Note 9.

Qualifying third party indemnity provisions

The company has no qualifying third party indemnity provisions in place for the directors of Rosebery Housing Association.

Value for Money (VFM)

This section on VFM is an abridged version of our full VFM self assessment which can be found on our website by using this link: <http://www.rosebery.org.uk/value-for-money> Rosebery VFM self assessment 2016 -17 or by contacting Customer services on 0800 068 7664 and requesting a hard copy. The self assessment is produced for our residents, stakeholders and staff to set out how we are performing in providing an efficient, cost effective service for all our customers.

What is Value for Money

Value for Money means managing our resources economically, efficiently and effectively to provide quality services and homes – put simply it is business efficiency. We measure VFM in the context of meeting our objectives as detailed above. We aim to fulfil our objectives by implementing the strategic direction outlined in the Corporate Plan with each reflecting our vision '*To make a positive difference*'.

Why is VFM so important

There is a greater emphasis on VFM, due mostly to the need to stretch significantly reduced public funding and so that development can continue and therefore increase the provision of affordable housing. In the current economic environment of increasing costs of funds and the impact of the continuing welfare benefit reforms, VFM has a crucial role to play. It contributes to the headroom required in long-term business plans to enable development to continue, and to improve service standards for our customers to ensure they receive VFM for the rent they pay.

VFM – stakeholder focus

Value for Money has a different emphasis for each of our stakeholders.

ROSEBERY HOUSING ASSOCIATION LIMITED

FINANCIAL REVIEW AND BOARD REPORT

For the year ended 31 March 2017

- **Residents:** Current residents want their homes properly maintained and an efficient service. New residents want new homes giving them a choice of tenure and house type.
- **Staff:** Staff need to feel valued and motivated in order to reach their potential.
- **Funders:** Funders focus on the overall financial performance and viability of the organisation and also on the condition of the properties on which their loans are secured.
- **Taxpayer:** As we have historically received substantial capital grant from government and also receive Housing Benefit as a substantial part of our rental income, we owe a duty to the taxpayer to ensure that we are maximising this investment both in financial and social terms to enable the provision of new homes.
- **Local Authority partners:** Ensuring delivery of new homes to meet the local housing needs and ensuring existing residents receive quality services

Key VfM achievements 2016-17

We maintain a VfM log which is available for all staff to update and evidence VfM savings. Staff are encouraged to challenge established methods of working to deliver efficiencies. Two major savings have been:

- A review of our treasury requirements identified an opportunity to repay some loan facilities in advance saving approximately £100,000 after early repayment fees; and
- Following the implementation of our in-house repairs service, we have been able to react to reduced workloads and save £195,000.

We proactively encourage VfM savings and invest for future savings. One particular investment is our in-house repairs service, Rosebery Repairs. This investment has not only enabled us to reduce our overall costs but also to provide an improved service which has enhanced our customers' perception of the VfM they receive from Rosebery, as evidenced by higher levels of customer satisfaction.

Key VfM targets 2017-18

Our primary focus will be on efficiency through our digitalisation programme, designed to make 80% of our transactions electronic and increase mobile working by July 2018.

Governance Code

In accordance with the Governance Standard under the Regulatory Framework, we are required to adopt a governance code. The Association has adopted and complies with the National Housing Federation's 'Code of Governance 2015 *Promoting Board excellence for housing associations*', with no areas of non-compliance identified this year. The Association complies fully with the provisions of the NHF Code of Governance 2015.

Going Concern

After reviewing the budget for 2017/18, the 2017 30 year Business Plan and the availability of funding for the programme of new development, improvements and repair, the Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the Financial Statements.

Assessment of the effectiveness of Internal Control

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

The Board recognises that the system of internal control is designed to manage, rather than eliminate risks of failure to achieve our business objectives, and to provide reasonable rather than absolute assurance against material misstatements or losses.

The process for identifying, evaluating and managing the significant risks we face is on-going and has been in place throughout the year under review, and up to the date of approval of the Report and Financial Statements. The process is regularly reviewed by the Board and managed by the Executive Team. The approach is risk based in relation to internal controls and is consistent with the principles set out in the former Housing Corporation circular 07/07: internal controls assurance. Although this circular is no longer in force, it is still considered to be good practice to follow the guidance it contains.

Not all risk can be entirely avoided, however the Board are committed to the mitigation of risk wherever possible.

The Board has delegated management authority for reviewing the internal controls systems to the Audit and Risk Committee. Minutes of the Audit and Risk Committee are presented to the subsequent Board to keep the Board apprised of progress. The Audit and Risk Committee and Board review policies regularly and a cycle has been established to ensure regular review continues.

Key elements of the control framework include:

Identification and Evaluation of Key Risks

We identify and record risks on the corporate risk register drawing on the experience of staff and Executive members, knowledge of the housing sector trends and local market conditions. Input is received from professionals, which includes internal auditors and Board Members. The evaluation of risks is arrived at by way of a scoring system, which assesses specific risks by considering the potential impact and likelihood of occurrence to arrive at a residual risk value. It is the Board's responsibility to approve the risk management strategy and approve the Risk Register on a regular basis. In addition, risk is reviewed regularly throughout the year at Executive and Senior Management levels. Risks are in turn monitored by the Audit and Risk Committee at each meeting throughout the year and reported to and approved by Board.

Our key risks can be categorised as:

Financial Risk	Developmental Risk	Operational Risk
Legislative Risk	Reputational Risk	Political & Economic Risk

Financial Risk

We manage financial risk by regularly reviewing our financial position and using Business Plan Modelling to identify the impact of potential risks in the future. The model has been used throughout the year to evaluate development opportunities and financial stress scenarios. We have a robust Business Plan in place, which has been approved by the Board and provides the basis for our annual budgets. A system of budgetary control ensures that Management Accounts are prepared, reported on and reviewed by the Executive Team and Board on a regular basis.

A separate, specialist Investment Committee operates and provides an additional level of control and monitoring. This is supported by our external treasury advisors.

Development Risk

We have redesigned the Development Strategy to reflect reduced future public funding and to realign development aspirations with our core business principles in supporting the local community.

The Business Plan model has been used to assess our financial viability in the context of the development programme to provide adequate assurances.

ROSEBERY HOUSING ASSOCIATION LIMITED

FINANCIAL REVIEW AND BOARD REPORT

For the year ended 31 March 2017

Operational Risk

Our policies and procedures are regularly reviewed and updated, forming part of on-going service reviews and team plans. There is a commitment for continuous development across the Executive Team, Managers and all staff to minimise future operational risks.

There is an on-going system of Board reporting and Board participation in all decisions. This ensures that new initiatives are reviewed at the highest level before they are progressed.

Legislative Risk

We use the services of reputable legal advisors, keep abreast of sector specific legislative changes and take reasonable steps to ensure that this category of risk is minimised. Compliance with all relevant legislation is monitored at Board level.

Reputational Risk

We have in place a Code of Conduct and Probity Policy for our Board Members and staff. We also have policies covering Anti-Corruption (incorporating provisions of the Bribery Act 2010) and Anti-Money Laundering.

We have established procedures in place for dealing with requests for information from the press. We recognise that we cannot always control our image and therefore act to protect our reputation wherever possible. Procedures are in place to ensure that contact with the media is managed effectively.

We are also aware of the need to maintain our reputation with our partners and clients. If our reputation is threatened, appropriate steps will be taken to minimise damage whilst upholding our integrity in our dealings with external bodies or individuals.

Political & Economic Risk

Recent political decisions which impact on housing associations and their tenants have come into force. This has been influenced by continuing economic challenges. We are aware of the additional or changed requirements upon us in particular:

- Introduction of affordable rents, the annual 1% rent reduction until 2020 and the potential impact of Local Housing Allowance caps, direct payments, freeze on working age benefits and Universal Credit. The reduction in the Universal Credit cap to £20k pa has been assessed and included in our welfare benefit reform action plan
- Local Authorities are still coming to terms with the new freedoms to dictate policies on tenure and allocation;
- The changing role of the HCA as the Regulator of Social Housing in England, which has resulted in a new regulatory framework with effect from 1 April 2015. Particular attention is being paid to the requirements regarding stress testing the Business Plan to destruction and a comprehensive Assets and Liabilities Register
- Continuing debate over the introduction of Right to Buy for Housing Association tenants. An initial impact assessment has been undertaken which suggests limited impact for Rosebery given the high market value of properties in our operating area

Controls and Correction

From the above risk process, Executive Directors are required to ensure a robust control structure is in place to address key risks. Executive Directors are tasked with monitoring and amending the controls in place to ensure they remain appropriate in changing business circumstances. The Board confirms that where problems are identified, necessary action is taken to remedy any significant failings or weaknesses and ensure the control environment meets this requirement. Changes in the risk map are also reviewed regularly by the Board and the Audit and Risk Committee.

Fraud

During the financial year no frauds took place. The Audit and Risk Committee have reviewed the Fraud Register. It is satisfied that high levels of internal control are in place.

We have an Anti-Corruption strategy in place comprising Anti-Bribery, Anti-Fraud & Theft and Money Laundering policies. An Anti-Corruption strategy is essential to ensure that we mitigate exposure to bribery, corruption, money laundering, fraud or theft. The policies are also designed to protect our reputation and that of our stakeholders.

In addition the Whistleblowing Policy and Procedure sets a framework that provides protection for employees and Board Members who disclose confidential information, where they truthfully believe a wrongdoing or malpractice is being or is about to be committed.

Performance Information and Financial Reporting Systems

Systems include a long term financial plan, a detailed budget for the year ahead, detailed management accounts produced on average within 10 days of the month end and detailed performance reports issued to all staff on a monthly basis. The Executive scrutinise these monthly and they are challenged and reviewed by the Board quarterly. Board, Executive, senior management and staff review performance regularly. In addition, performance information is benchmarked, scrutinised and challenged by residents via a Resident Scrutiny Panel and validated by senior staff and residents through a range of reality checks value for money assessments and internal quality checking.

Internal Audit Assurance

The internal audit framework and the risk management process are subject to regular review by internal audit professionals who advise the Board and Executive and report regularly to the Audit and Risk Committee. The internal auditors make an annual report to the Audit and Risk Committee reviewing the effectiveness of the system of internal controls. The Audit and Risk Committee provides an annual report to the Board.

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

Board member's responsibilities

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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

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

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the Association's transactions and disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for

ROSEBERY HOUSING ASSOCIATION LIMITED

FINANCIAL REVIEW AND BOARD REPORT

For the year ended 31 March 2017

safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the Association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Annual General Meeting

The Annual General Meeting will be held on 19 September 2017 at Newplan House, Epsom.

Statement of disclosure to the auditor:

- (a) So far as the Board Members are aware, there is no relevant audit information of which the Association's auditors are unaware and
- (b) They have taken all the steps that they ought to have taken as Board Members in order to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

BDO LLP have expressed their willingness to continue in office. A resolution for the re-appointment of BDO LLP as auditors of the Association is to be proposed at the forthcoming Annual General Meeting.

The report of the Board Members was approved by the Board on 25 July 2017 and signed on its behalf by:



Stephen Barklem
Chair

25 July 2017

OBJECTIVES AND STRATEGY

Overview

Rosebery exists to provide a choice of quality homes to those that find the open market beyond their reach. It also delivers a wide range of services and ensures that those services to both current and future customers are efficient, effective and achieve standards of excellence. The Association delivers sustainable communities through healthy and positive partnerships with an aim to provide solutions to local problems and challenges and to bring out the best in people and agencies.

The Association is committed to working in partnership with stakeholders in its areas of operation, but predominantly recognise Epsom and Ewell as the 'heartland'. Epsom and Ewell is a relatively affluent area with pockets of inequality and as the major landlord in the area Rosebery is committed to working with partners to reduce those inequalities.

The delivery of its core purpose is designed to meet customers changing needs, to help shape a place where people want to live and work and 'to make a positive difference'.

The identification and evaluation of the risks are set out in the Assessment of effectiveness of Internal Control (page 6).

Profile

The Association is a charitable Registered Provider (RP), registered with and regulated by the Homes & Communities Agency (HCA). The Association was formed in February 1994 as a result of the stock transfer from Epsom & Ewell Borough Council. It owns and manages 2,747 properties and 565 garages, predominantly in and around Epsom and Ewell with 280 of the properties located across 6 other Boroughs in Surrey and West Sussex.

Business Objectives

There are four key priorities driving business activity:

1. **Choice:** to provide a range of affordable, quality homes and services ensuring choice where possible. Enabling more low/middle income families to find affordable homes in the area where they work and providing a range of incentives, information and opportunities to encourage movement within our existing houses.
2. **Cost:** To provide excellent customer service at a price which is value for money. We have provided opportunities for our customers to feed back to us giving us insight into their aspirations for us and allowing us to develop a set of services that are not 'one size fits all'. We have evaluated and changed service providers where different or better services can be provided at lower cost without damaging the frontline services.
3. **Creativity:** To bring added value to the communities where we work. We have continued to contribute to and support the Local Strategic Partnership, and have begun to establish clear links between our investment and the opportunities available within our local areas.
4. **People:** To develop our people to achieve our potential. The culture of performance driven results has been embedded across the organisation. Board members possess specialist skills adding to the already strong leadership and governance role they perform.

Business Strategy

Development & Performance throughout the financial year and position at the end of the financial year.

Financial Position

The result for the year, shown in the Statement of Comprehensive Income is a retained surplus of £3.2m compared to £2.3m in 2015/16.

Rents

On 8 July 2015, the Summer Budget included the announcement that the Government will reduce rents in social housing in England by 1% per year for four years from April 2016. The Government indicated this will result in a 12% reduction in average rents by 2020/21, compared to current forecasts. Our policy is to reduce rent levels annually by 1% until 2020/21 in line with the Government Rent Restructuring rules.

Cashflows

We generated an operating cash inflow of £10.7m (2016: £11.4m) which, after net interest payments of £3.9m (2016: £4.1m), early loan repayment of nil (2016: £7.5m) and other movements left a cash inflow of £3.1m (2016: outflow of £4.9m) in the year. The development programme, cyclical major repairs and refinancing costs were the most significant outflows in the year, partly offset by proceeds from staircasing sales and asset management sales.

ROSEBERY HOUSING ASSOCIATION LIMITED**STRATEGIC REPORT**

For the year ended 31 March 2017

Financial Performance and Position Summary**For the year ended 31 March**

	2017	2016
Statement of Comprehensive Income		
Total turnover	17,971	16,976
Income from Lettings	15,785	15,969
Operating surplus before property sales	6,983	5,994
Surplus for the year	3,963	2,124
Statement of Financial Position		
Housing properties net of depreciation	128,005	127,633
Other fixed assets	409	506
Fixed assets net of depreciation	128,414	128,139
Net current assets	6,153	3,051
Total assets less current liabilities	134,567	131,190
Creditors: due after more than one year (Incl Grant)	111,233	111,051
Reserves	23,334	20,139
	134,567	131,190
Accommodation figures		
Total housing stock (excluding garages) in management at year end	2,747	2,734
Owned Stock (excluding garages)	2,690	2,676
Statistics		
Operating surplus for the year as a % of turnover	38.86%	35.31%
Surplus for the year as a % of turnover	22.05%	12.51%
Surplus for the year as a % of income from lettings	25.10%	13.30%
Interest cover	1.5	1.6
Total reserves per home owned	8,674	7,526

Maintenance and Asset Management

Our asset management strategy sets out how we will deliver quality affordable homes by efficient property management incorporating the needs of our residents and other stakeholders, and reflecting both the financial and social return of our homes.

Our homes are well maintained with 100% meeting decent homes standards and an average energy efficiency (SAP) rating of 73.2.

ROSEBERY HOUSING ASSOCIATION LIMITED

STRATEGIC REPORT

For the year ended 31 March 2017

Health and Safety

We have prepared detailed health and safety policies and provide regular Board and staff training and education on health and safety matters. A Health & Safety group oversees compliance with all Health and Safety requirements. Our aims are to comply with the Health and Safety at Work Act 1974 and all regulations made under it. No breaches were identified during the year.

Environmental Policy

Rosebery recognises that its activities, buildings and homes have an impact on the environment and consume energy. This impact can be detrimental as energy is (in the main) provided from finite resources.

Rosebery undertakes Value for Money (VfM) assessments of sustainability activities and programmes. Priorities and decisions will be subject to financial viability and the constraints within our Business Plan. All Board reports, policies and strategies will include a Sustainability & Environmental Implications assessment.

Employees

Our strength lies in the quality of all of our employees. In particular, our ability to meet our objectives and commitments to residents in an efficient and effective manner depends on their contribution. Information on employees is set out in Notes 9 and 10 of the financial statements.

Our employment policies are aimed at ensuring appropriate staffing levels, training opportunities, benefits and salaries. The employment of disabled people is supported both in recruitment and retention of employees who become disabled whilst in our employment.

Policies take positive steps in line with the requirements of the Equality Act 2010. We encourage local employment initiatives and opportunities. Professional and skilled support is provided by Mentor both in relation to Human Resources and Health and Safety.

Staff are actively encouraged to participate in decision making at all levels, from business planning to service delivery, policies and procedures. This is achieved through team meetings, monthly staff briefings, appraisals, an intranet updated by staff and via interactive staff briefings. This is also recognised externally with the Investors in People Silver Award (IIP).

Future prospects

Historically development commitments had been determined on the basis of a predictable sustainable increase in rents. The introduction by the Government of a 1% decrease in rents until 2020 has forced Rosebery to reconsider these commitments so as to operate within the revised rental income forecast.

The 1% rental reductions have focused Rosebery's attention on being more efficient with our assets and focus on Value for Money (VfM). We have taken much more direct control of our operations with the creation of Rosebery Repairs and the recruitment of an in-house IT team. We are now using this control to reduce costs while increasing customer satisfaction with our services.

Rosebery operates in an area where land prices are currently very high. This, combined with the uncertainty arising from our economic and political future once the United Kingdom leaves the European Union, has made development of new homes very difficult. Our future growth will depend on our ability to find ways of overcoming these obstacles, create subsidy for affordable homes and create innovative ways of reducing costs of both operation and investment. To this end, we have established a development subsidiary, Rosebery Development Company Limited, which is intended to undertake commercial activity and generate subsidy for investment in affordable housing.

Principle risks and uncertainties being faced

The principle risks which might impact on the achievement of Rosebery's objectives are:

- The impact of government policies, particularly regarding housebuilding, welfare and the economy generally;
- The potential for future cost inflation, particularly at a time when rental income is scheduled to reduce; and
- The difficulty of implementing our digital strategy to increase the efficiency of our operations.

Compliance with HCA Standards

The Association's Board is satisfied that all reasonable steps have been taken to ensure compliance with the requirements of the Governance & Financial Viability Standard and the Rent Standard in all material aspects at all times during the financial year 2016/17.

GOVERNANCE

Board Members and Executive Directors

The Association's Board consists of seven Board Members, being six Non-Executive Board Members recruited for their skills, knowledge and experience and one Executive Board Member, namely the Chief Executive.

Our Board members are drawn from a background of professional, and commercial experience, providing a skills mix appropriate to the business and its vision.

Board members are remunerated and remuneration levels have been externally validated and benchmarked by an independent Board remuneration consultant and are subject to independent triennial review.

The senior management team are listed on Page 3. These executive officers hold no interest in the shares and act as executives within the authority delegated by the Board. Rosebery is committed to resident involvement, and is currently reviewing the means by which we ensure that residents' voices are heard at the Board. This includes the use of social media to gain residents' views on key areas of operation.

Funding and Treasury Management

The primary function of treasury management is to manage liquidity, funding, investment and the Association's financial risk, including risk from volatility in interest rates. Treasury Policies are reviewed by the Association's Investment Committee and approved by the Board. It is current policy to manage interest rate risk by maintaining between 70% and 90% of the borrowings at a fixed rate of interest. At 31 March 2017 the percentage of borrowings at fixed interest rates was 100%; taking advantage of the current low level of fixed interest rates to manage future interest risks.

As at 31 March 2017 borrowing stood at £77.4m.

ROSEBERY HOUSING ASSOCIATION LIMITED**STRATEGIC REPORT**For the year ended 31 March 2017

TREASURY

DRAWDOWN LOANS	2017	2016
	£'m	£'m
Fixed		
RBS	22.5	22.5
Santander	12.4	12.4
M&G	42.5	42.5
Total Fixed	77.4	77.4
Variable		
RBS	-	-
Santander	-	-
Total Variable	-	-
TOTAL DRAWN LOANS	77.4	77.4


UNDRAWN LOANS

Variable		
Santander (Rolling Credit Facility)	20.0	20.0

Our exposure to price risk is limited to regulatory rent changes and inflationary movements from suppliers' both have been taken into account whilst preparing the long term plan and budget. Credit risk will move in line with the Housing Association sector only affecting us on refinancing. Our revolving credit facility is due for refinancing in 2020. Liquidity and cash flow risk is minimised due to long term planned operational surpluses and financing already in place.

We comply with our funding covenants, with no breaches during 2016/17.

The Strategic Report was approved by the Board on 25 July 2017 and signed on its behalf by:



Stephen Barklem
Chair

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROSEBERY HOUSING ASSOCIATION LIMITED

We have audited the financial statements of Rosebery Housing Association for the year ended 31 March 2017 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in reserves, the statement of cash flows 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 association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the board and auditors

As explained more fully in the statement of board member responsibilities, the board members are 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

give a true and fair view of the state of the association's affairs as at 31 March 2016 and of the association's surplus for the year then ended;

have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

ROSEBERY HOUSING ASSOCIATION LIMITED

INDEPENDENT AUDITOR'S REPORT

For the year ended 31 March 2017

Matters on which we are required to report by exception

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

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

BDO LLP

BDO LLP, statutory auditor

Gatwick, West Sussex

United Kingdom

Date 31 July 2017

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

ROSEBERY HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
For the year ended 31 March 2017

STATEMENT OF COMPREHENSIVE INCOME

		2017	2016
	Note	£'000	£'000
TURNOVER	3	17,971	16,976
Cost of Sales	3	(630)	-
Operating expenditure	3	(10,358)	(10,982)
OPERATING SURPLUS BEFORE PROPERTY DISPOSAL		6,983	5,994
Surplus on sale of fixed assets	6	874	1,792
OPERATING SURPLUS		7,857	7,786
Interest receivable	7	15	24
Interest payable	8	(3,909)	(5,686)
SURPLUS BEFORE TAX		3,963	2,124
Tax		-	-
SURPLUS FOR THE FINANCIAL YEAR		3,963	2,124
Actuarial (loss)/gain in respect of Pension Schemes	9	(768)	215
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		3,195	2,339

All amounts relate to continuing activities.

The notes on pages 23 to 50 form part of these financial statements.

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

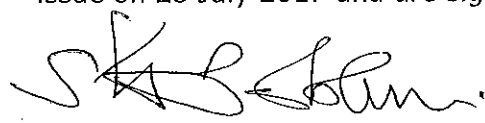
For the year ended 31 March 2017

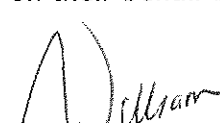
STATEMENT OF FINANCIAL POSITION

	Note	2017 £'000	2016 £'000
Tangible fixed assets			
Housing properties	12	128,005	127,633
Other tangible fixed assets	13	409	506
		<u>128,414</u>	<u>128,139</u>
Current assets			
Properties for sale	14	108	310
Debtors	15	633	883
Cash and cash equivalents		8,428	5,343
		<u>9,169</u>	<u>6,536</u>
Creditors: amounts falling due within one year	16	<u>(3,016)</u>	<u>(3,485)</u>
Net current assets		6,153	3,051
Total assets less current liabilities		134,567	131,190
Creditors: amounts falling due after more than one year	17	(107,445)	(107,876)
RCGF	19	(725)	(633)
Pension liabilities	9	(3,063)	(2,542)
TOTAL NET ASSETS		23,334	20,139
CAPITAL AND RESERVES			
Non equity share capital	22	-	-
Revenue reserve		23,334	20,139
		<u>23,334</u>	<u>20,139</u>

The notes on pages 23 to 50 form part of these financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 25 July 2017 and are signed on their behalf by:


Stephen Barklem
 Chair


Paul Williams
 Vice Chair


Graham Oliver
 Secretary

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**For the year ended 31 March 2017

STATEMENT OF CHANGES IN RESERVES

	2017	2016
	Revenue	Revenue
	Reserve	Reserve
	£'000	£'000
Opening total funds	20,139	17,800
Surplus for the year	3,963	2,124
Other comprehensive income for the year:		
Actuarial gain/(loss) in respect of defined benefit scheme	(768)	215
	<hr/>	<hr/>
	23,334	20,139
	<hr/>	<hr/>

The notes on pages 23 to 50 form part of these financial statements.

ROSEBERY HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
For the year ended 31 March 2017

STATEMENT OF CASH FLOWS

		£'000	£'000
		2017	2016
Cash and cash equivalents at the start of the year		<u>5,343</u>	<u>10,237</u>
Cash flows from operating activities	23	10,722	11,418
Cash flow from investing activities			
Purchase and construction of housing properties	12	(3,747)	(2,063)
Purchase of other fixed assets	13	(131)	(165)
Interest received	7	15	24
Grants received	12	134	234
Cash flow from investing activities		<u>(3,729)</u>	<u>(1,970)</u>
Cash flow from financing activities			
Interest paid	8	(3,909)	(4,096)
Loans repaid	17	-	(7,550)
Loan restructuring	17	-	(1,165)
Loan cancellation charges	8	-	(1,531)
Total cash flow from financing activities		<u>(3,909)</u>	<u>(14,341)</u>
Net change in cash and cash equivalents		<u>3,085</u>	<u>(4,894)</u>
Cash and cash equivalents at the end of the year		<u>8,428</u>	<u>5,343</u>

The notes on pages 23 to 50 form part of these financial statements.

ROSEBERY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

1. Legal Status

Rosebery Housing Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is defined as a public benefit entity.

2. Principal Accounting Policies

Basis of accounting

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland, the Statement of Recommended Practice (SORP), and "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the accounting policies.

Turnover

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

Revenue recognition

Income is measured at the fair value of the consideration received or receivable. Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting. Income from first tranche sales and sales of properties built for sale is recognised at the point of legal completion of the sale. Revenue grants are receivable when the conditions for receipt of agreed grant funding have been met.

Value added tax

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

Interest payable

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

Pensions

The Association participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme (SHPS) and the Surrey County Council Superannuation Scheme (SCCS). The Association also participates in a defined contribution scheme provided by SHPS for new employees, where contributions are accounted for as they fall due.

SHPS Annual Adjustment

The scheme has confirmed that it is unable to provide information relating to individual employers.

The Association therefore accounts for these schemes as if they were defined contribution schemes with the income and expenditure account charged with the contributions payable for the year.

The obligation to make future payments to meet the deficit on past contributions has been recognised as a liability in the Statement of Financial Position, the calculation of the SHPS liability is based on the present value of future payments, i.e. discounted cash flows. Future payment will be offset against this liability.

Surrey County Council Superannuation Scheme

The SCCS Scheme is also a multi-employer defined benefit scheme where the Association's share of assets and liabilities can be allocated to the Association.

The Association's share of the surplus or deficit is recognised in full in the Association balance sheet, with assets measured at market value and liabilities measured using the projected credit method. Actuarial gains and losses are recognised in the Statement of Changes in Equity. Current and past service costs are recognised as an operating expense. The unwinding of the discount on scheme liabilities along with the difference between the actual and expected return on scheme assets is included in the Statement of Comprehensive Income account as 'other finance expense/income'.

Further details in respect of all schemes are given in note 9.

Housing properties

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

Works to existing properties which extend its useful economic life or result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover and the remaining element is classed as fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment. Subsequent tranches sold ('staircasing sales') are disclosed in the Statement of Comprehensive Income after the operating result as a surplus or deficit on sale of fixed assets.

Social Housing Grant

Social Housing Grant (SHG) is receivable from the Homes and Communities Agency (formerly from the Housing Corporation) and is utilised to subsidise the capital costs of constructing and purchasing housing properties, including land costs. SHG due from the HCA or received in advance is included as a current asset or liability.

Housing properties accounted for at cost recognise related government grants using the accrual model. Grants are recognised as income in the Statement of

ROSEBERY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

Comprehensive Income on a straight line basis over the expected useful life of the structure.

SHG received in respect of revenue expenditure is credited to the Statement of Comprehensive Income in the same period as the expenditure to which it relates.

Recycled capital grand fund

On the occurrence of certain relevant events, primarily the sale of dwellings, the HCA can direct the Association to recycle capital grants or to make repayments of the recoverable amount. The Association adopts a policy of recycling, for which a separate fund is maintained. If unused within a three year period, it will be repayable to the HCA with interest. Any unused recycled capital grant held within the recycled capital grant fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

Depreciation of housing properties

In order to reflect the different constituent elements of housing properties, where a property comprises two or more major components with substantially different useful economic lives, each component is accounted for separately and depreciated over its useful economic life. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred. Depreciation is charged on a straight line bases over the assets' expected useful economic lives. The useful economic lives for the identified components are as follows:

Land	Not depreciated
Structure	100 Years
Roof	70 Years
Boiler	15 Years
Windows & Doors	30 Years
Electrics	30 Years
Bathrooms	30 Years
Kitchens	20 Years
Lifts	30 Years

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

Impairment

Housing properties which are depreciated over a period in excess of 50 years are subject to impairment reviews annually. 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. Any such write down is charged to operating surplus.

Other tangible fixed assets

Depreciation is provided evenly on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives. No depreciation is provided on freehold land. The principal annual rates used for other assets are:

Freehold buildings	2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	25%
Computers and office equipment	33.3%
Motor vehicles	25%

ROSEBERY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

Leased assets

Rosebery does not hold any assets under finance leases.

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight line basis over the period 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.

Right to Buy

Under the terms of the transfer agreement, proceeds from right to buy sales are shared with Epsom & Ewell Borough Council. On completion of a right to buy sale contract only proceeds attributable to the Association are credited to the Statement of Comprehensive Income.

Holiday Pay Accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the Board have made the following judgements:

Development Analysis being based on the following assumptions

The anticipated costs to complete on a development scheme are based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the Board's best estimate of sales value based on economic conditions within the area of development.

Allocation of costs

Costs are allocated to the appropriate tenure where it is possible to specify which tenure the expense relates to. Where it is not possible to relate costs to a specific tenure costs are allocated on a floor area or unit basis depending on the appropriateness for each scheme.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations rather than the financial instruments' legal form.

Cash and Cash equivalents

Cash and cash equivalents consist of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

OTHER KEY SOURCES OF ESTIMATION UNCERTAINTY

Tangible fixed assets (see note 12 and 13)

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

Rental and other trade receivables (debtors) (see note 15)

The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

3. Turnover, cost of sales, operating costs and operating surplus

2017				
	Turnover	Cost of Sales	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000
Social housing lettings	15,785	-	(9,582)	6,203
Other social housing activities				
Shared ownership sales	1,108	(630)	(4)	474
Other	682	-	(587)	95
Garage and intermediate lettings	396	-	(185)	211
	2,186	(630)	(776)	780
	17,971	(630)	(10,358)	6,983
2016				
	Turnover	Cost of Sales	Operating Costs	Operating Surplus
	£'000	£'000	£'000	£'000
Social housing lettings	15,969	-	(10,231)	5,738
Other social housing activities				
Shared ownership sales	-	-	-	-
Other	644	-	(561)	83
Garage and intermediate lettings	363	-	(190)	173
	1,007	-	(751)	256
	16,976	-	(10,982)	5,994

ROSEBERY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

3. Turnover, Cost of Sales, Operating Costs and Operating Surplus (Continued)

	2017				2016	
	General Needs Housing	Supported Housing & Housing for Older People	Temporary Social Housing	Low Cost Home Ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charge	10,556	1,001	1,790	1,080	14,427	14,501
Service income	371	224	100	360	1,055	1,146
Government grant taken to income	251	10	-	42	303	322
Turnover from social housing lettings	11,178	1,235	1,890	1,482	15,785	15,969
Management	(2,602)	(235)	(463)	(292)	(3,592)	(4,479)
Service charge costs	(428)	(185)	(87)	(129)	(829)	(995)
Routine maintenance	(1,177)	(25)	(32)	(7)	(1,241)	(1,199)
Planned maintenance	(1,338)	(100)	(227)	(10)	(1,675)	(1,514)
Bad debts	(125)	(10)	(45)	(1)	(181)	(14)
Property lease charges	-	-	(232)	-	(232)	(228)
Depreciation of housing properties	(1,300)	(103)	(160)	(142)	(1,705)	(1,689)
Accelerated Depreciation on components	(127)	-	-	-	(127)	(113)
Operating costs on social housing lettings	(7,097)	(658)	(1,246)	(581)	(9,582)	(10,231)
Operating surplus on social housing lettings	4,081	577	644	901	6,203	5,738
Rent losses from Voids	31	3	40	12	86	80

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**For the year ended 31 March 2017

4. Accommodation in management and development

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

	2017	2016
	No.	No.
Social housing		
General housing	1,715	1,713
Supported housing and housing for older people	185	185
Low cost home ownership	219	219
Temporary social housing	120	115
Key worker housing	-	4
	<hr/>	<hr/>
Total social housing	2,239	2,236
Leasehold properties	431	424
Garage lettings	565	632
Intermediate and other	20	16
	<hr/>	<hr/>
Total owned	3,255	3,308
Accommodation managed for others	57	58
	<hr/>	<hr/>
Total managed	3,312	3,366
	<hr/>	<hr/>
Accommodation in development at the year end	11	19
	<hr/>	<hr/>

The Association manages accommodation for Guildford Borough Council.

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

5. Operating surplus

The operating surplus is arrived at after charging :

	2017	2016
	£'000	£'000
Depreciation of housing properties	1,762	1,728
Accelerated Depreciation of replaced components	134	113
Depreciation of other tangible fixed assets	228	193
Impairment of housing properties	-	-
Operating lease rentals		
- land and buildings	127	127
- office equipment and computers	25	36
- Vans	47	-
Auditors' remuneration (excluding VAT)		
- for audit services	24	22
	<hr/>	<hr/>

6. Surplus on sale of fixed assets – housing properties

	Property fixed assets	Shared Ownership staircasing sales	2017	2016
	£'000	£'000	£'000	£'000
Disposal proceeds	801	2,212	3,013	4,287
Carrying value of Fixed assets	(62)	(1,332)	(1,394)	(1,930)
Sales Expenses	<u>(2)</u>	<u>(6)</u>	<u>(8)</u>	<u>(124)</u>
	737	874	1,611	2,233
Less Council's share	(737)	-	(737)	(441)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	874	874	1,792
	<hr/>	<hr/>	<hr/>	<hr/>

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**For the year ended 31 March 2017

7. Interest receivable and other income

	2017	2016
	£'000	£'000
Interest receivable and similar income	15	24
	<hr/>	<hr/>
	15	24

8. Interest Payable and similar charges

	2017	2016
	£'000	£'000
Loans and bank overdrafts	3,892	4,096
Cancellation charges - Loans	-	1,531
Finance charges on defined benefit pension scheme	17	59
	<hr/>	<hr/>
	3,909	5,686

No interest was capitalised during the year

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**For the year ended 31 March 2017

9. Employees

Average monthly number of employees expressed as full time equivalents:

	2017	2016
	No.	No.
Administration	18	19
Development	1	1
Housing, support and care	18	16
Repairs	8	-
	<u>45</u>	<u>36</u>

Employee costs:

	2017	2016
	£'000	£'000
Wages and salaries	1,540	1,324
Social Security Costs	158	134
Pension Costs	197	398
	<u>1,895</u>	<u>1,856</u>

The number of employees whose earnings fell above £60k band:

	2017	2016
£60,000 - £69,999	2	3
£120,000 - £129,999	<u>1</u>	<u>1</u>

9. Employees (Continued)

Defined Benefit Pension Schemes:

Social Housing Pension Scheme (SHPS)

Rosebery Housing Association participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted-out of the State Pension scheme. The Scheme is a multi-employer defined benefit scheme. Employer participation in the Scheme is subject to adherence with the employer responsibilities and obligations as set out in the 'SHPS House Policies and Rules Employer Guide'.

Benefits accrue to active members based on Final Salary with 1/60th for each year of contribution.

The Trustee commissions an actuarial valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to determine the level of future contributions required, in respect of each benefit structure, so that the Scheme can meet its pension obligations as they fall due.

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

During the accounting period Rosebery paid contributions at the rate of 13.7% of salary, member contributions varied between 5.2% and 6.1%.

At this point in time, it is not possible in the normal course of events to identify on a reasonable and consistent basis the share of underlying assets and liabilities belonging to individual participating employers. The Scheme is a multi-employer scheme, where the assets are co-mingled for investment purposes, and benefits are paid out of total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS102 represents the employer contribution payable.

The last formal valuation of the Scheme was performed as at 30 September 2014 by a professionally qualified Actuary using the Projected Unit Method. The market value of the Scheme's assets at the valuation date was £3,123 million. The valuation revealed a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

Pension Deficit Contribution

In accordance with Financial Reporting Standard 102, the association has recognised a liability of £846,000 within pension liabilities due within and greater than one year equal to the present value of agreed past service deficit funding obligation. The total value of amounts recognised in the Statement of Financial Position is as follows:

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**For the year ended 31 March 2017

9. Employees (Continued)

	£000
At 1 April 2016	910
Unwinding of discount	17
Payment during the year	(106)
Remeasurements – change in assumptions	25
At 31 March 2017	<u>846</u>

Surrey County Council Superannuation Scheme (SCC)

Rosebery Housing Association Limited participates in the Surrey County Council Superannuation Scheme which is part of the Local Government Pension Scheme Regulations 1997. The SCC scheme is a multi-employer scheme, and is a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 and rolled forward, allowing for the different financial assumptions required under FRS102, to 31 March 2017 by a qualified independent actuary.

The employers' contributions to the SCC scheme by the Association for the year ended 31 March 2017 were £13,591 (2016: £12,873) at a contribution rate of 22.4% of pensionable salaries, set until the next funding valuation. Estimated employers' contributions to the SCC scheme during the accounting period commencing 1 April 2017 are £13,862.

Member contributions to the SCC scheme were 6.5% based on their whole-time equivalent pensionable pay.

At the balance sheet date there were 2 active members of the SCC scheme employed by the Association. The annual pensionable payroll in respect of these members was £60,658.

9. Employees (Continued)

	2017	2016
	£'000	£'000
Market valuation of Scheme's assets	2,572	2,136
Discount rate	2.4%	3.4%
Rate of return on investments	2.4%	3.4%
Rate of general pay increases	3.0%	3.6%
Rate of increases to pensions in payment	2.7%	2.1%
Actuarial shortfall	2,217	1,632

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligations as at 31 March 2010 are based on the CMI 2010 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25% pa.. The assumed life expectations on retirement at age 65 are:

	No. of years
Retiring today:	
Males	22.5
Females	24.6
Retiring in 20 years:	
Males	24.1
Females	26.4

Fair value of Assets

	Fair value	Expected return	Fair value	Expected return
	31-Mar-17	31-Mar-17	31-Mar-16	31-Mar-16
	£'000	%	£'000	%
Equities	1,955	2.4	1,602	3.4
Bonds	386	2.4	342	3.4
Property	128	2.4	149	3.4
Cash	103	2.4	43	3.4
	<u>2,572</u>		<u>2,136</u>	

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**For the year ended 31 March 2017

9. Employees (Continued)**Movement in Pension Liabilities**

	2017	2016
	£'000	£'000
Value of Liabilities at 1st April	3,768	4,005
Service Cost	18	18
Interest Cost	126	123
Benefits Paid	(129)	(125)
Contributions by members	4	4
Actuarial gain/(losses)	1,002	(257)
	<u>4,789</u>	<u>3,768</u>

Movement in fair value of assets

	2017	2016
	£'000	£'000
Market value of assets	2,136	1,984
Expected return on scheme assets	75	64
Actuarial gain/(losses)	234	(42)
Employer Contributions	252	251
Employee Contributions	4	4
Benefits Paid	(129)	(125)
	<u>2,572</u>	<u>2,136</u>

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

9. Employees (Continued)

	2017	2016
	£ '000	£ '000
Fair value of the assets related to the Association	2,572	2,136
Value placed on liabilities related to the Association	(4,789)	(3,768)
Net pension liability	<u>(2,217)</u>	<u>(1,632)</u>

Analysis of the amount chargeable to operating surplus

	2017	2016
	£ '000	£ '000
Current service cost	18	18
Contributions by members	4	4
	<u>22</u>	<u>22</u>

Analysis of the amount chargeable to finance costs

	2017	2016
	£ '000	£ '000
Expected return on pension scheme assets	75	64
Interest on pension scheme liabilities	(126)	(123)
	<u>(51)</u>	<u>(59)</u>

Analysis of the amount recognised in Other Comprehensive Income

	2017	2016
	£ '000	£ '000
Actuarial gain/(loss)	<u>(768)</u>	<u>215</u>

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

9. Employees (Continued)**Analysis of the movements in net pension liability**

	2017	2016
	£ '000	£ '000
Share of scheme liabilities at the beginning of the year	(1,632)	(2,021)
Current service costs	(18)	(18)
Contributions	252	251
Past service cost	-	-
Other finance costs	(51)	(59)
Actuarial gain/(loss)	(768)	215
Share of scheme liabilities at the end of the year	<u>(2,217)</u>	<u>(1,632)</u>

Defined Contribution Pension Scheme:

Rosebery Housing Association operates a defined contribution personal pension scheme, SHPS DC, for new employees and any existing employees who may elect to transfer.

The scheme currently operates a three tier approach to contributions whereby member contributions at rates of 2%, 5% or 7% are matched by employer contributions of 3%, 7.5% and 10.5% respectively.

Pension Costs:

The total pension costs charged for the year represent the total employer's pension contributions payable across all three schemes. These amounted to £196,691 (2016: £398,147), none of which were capitalised with Development team salaries. At 31 March 2017 total employer pension contributions amounting to £67,862 (2016: £15,444) payable to the fund were included in creditors.

Pension Liabilities

	2017	2016
	£'000	£'000
SHPS	846	910
SCCSS	2,217	1,632
	<u>3,063</u>	<u>2,542</u>

ROSEBERY HOUSING ASSOCIATION LIMITED
FINANCIAL STATEMENTS
For the year ended 31 March 2017

10. Board Members and Executive Directors

	Basic salary	Benefits in Kind	Employers Pension Contributio ns	2017	2016
	£'000	£'000	£'000	Total £'000	Total £'000
M Akinyemi	3	-	-	3	3
S Barklem	7	-	-	7	7
F Barras	4	-	-	4	4
S Dhadwar	3	-	-	3	3
M McJennett	3	-	-	3	3
J Milburn	2	-	-	2	4
P Williams	6	-	-	6	5
Non Executive Board Members	28	-	-	28	29
Executive	124	2	13	139	511
	152	2	13	167	540

The emoluments for the Chief Executive, the highest paid director excluding pension contributions were £124k (2016: £122k). She is an ordinary member of the defined contribution personal pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

The Executive Directors are made up of the Chief Executive, the Finance Director, the Development and New Business Director and Operations Director.

None of the Board are a member of any of the pension schemes and they receive no pension contributions from the Association.

11. Tax on surplus on ordinary activities

Rosebery Housing Association Limited was given charitable status on 8 February 1999 and is exempt from tax on its charitable activities. No charge to Corporation tax arises on the results of the year (2016: Nil).

ROSEBERY HOUSING ASSOCIATION LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 2017

12. Tangible fixed assets – housing properties

	GENERAL NEEDS HOUSING PROPERTIES		LOW COST HOME OWNERSHIP		OTHER PROPERTIES	TOTAL
	Completed Properties £'000	Under Construction £'000	Completed Properties £'000	Under Construction £'000	Completed Properties £'000	£'000
Cost						
At 1 April 2016	114,818	878	25,855	453	730	142,734
Additions to New Developments	-	1,058	-	557	-	1,615
Purchase of New Developments	-	794	-	-	-	794
Replaced Components	1,338	-	-	-	-	1,338
Schemes completed	1,471	(1,471)	875	(875)	-	-
Reclassified to Properties for sale	-	-	-	(85)	-	(85)
Replaced Components	(311)	-	-	-	-	(311)
Staircasing Sales	-	-	(1,393)	-	-	(1,393)
Right To Buy Sales	(72)	-	-	-	-	(72)
At 31 March 2017	117,244	1,259	25,337	50	730	144,620
Depreciation						
At 1 April 2016	13,921	-	1,085	-	95	15,101
Charge for the year	1,594	-	159	-	9	1,762
Eliminated on Disposals:						
Replaced Components	(177)	-	-	-	-	(177)
Staircasing Sales	-	-	(61)	-	-	(61)
Right To Buy Sales	(10)	-	-	-	-	(10)
At 31 March 2017	15,328	-	1,183	-	104	16,615
Net Book Value						
At 31 March 2017	101,916	1,259	24,154	50	626	128,005
At 1 April 2016	100,897	878	24,770	453	635	127,633

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

12. Tangible fixed assets – housing properties (cont)**Expenditure on works to existing properties**

	2017	2016
	£'000	£'000
Amounts capitalised	1,338	1,002
Amounts charged to the income and expenditure account	2,939	2,754
	<u>4,277</u>	<u>3,756</u>

Social housing grant

	2017	2016
	£'000	£'000
Total accumulated social housing grant received or receivable at 31 March:		
Opening balance	34,062	33,788
Transfer to RCGF	(458)	(267)
Transfer from RCGF	166	307
New grant received during the year	134	234
	<u>33,904</u>	<u>34,062</u>

Finance costs

	2017	2016
	£'000	£'000
Aggregate amount of capitalised interest included in the cost of housing properties	-	-
	<u>-</u>	<u>-</u>

Housing properties book value, net of depreciation

	2017	2016
	£'000	£'000
Freehold land and buildings	102,368	103,102
Long leasehold land and buildings	25,637	24,531
	<u>128,005</u>	<u>127,633</u>

Property Valuations

The estimated value of the housing properties as at 31st March 2017 was £168.5m.

Housing properties were valued on the basis of existing use value - social housing (EUV-SH) or Market Value subject to Tenancy as appropriate.

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

13. Tangible fixed assets – others

	Furniture & equipment £'000	Office Improvements £'000	Computer equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2016	423	225	771	14	1,433
Additions	7	26	98	-	131
Disposals	-	-	-	(14)	(14)
At 31 March 2017	430	251	869	-	1,550
Depreciation					
At 1 April 2016	339	95	479	14	927
Charged in the year	34	49	145	-	228
Write off	-	-	-	(14)	(14)
At 31 March 2017	373	144	624	-	1,141
Net book value					
At 31 March 2017	57	107	245	-	409
At 31 March 2016	84	130	292	-	506

14. Properties for sale

	2017 £'000	2016 £'000
Shared ownership properties:		
Stock	108	310
	108	310

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**For the year ended 31 March 2017

15. Debtors

	2017	2016
	£'000	£'000
Due within one year		
Rent and service charges receivable	503	550
Less: provision for bad and doubtful debts	(384)	(285)
	<hr/>	<hr/>
	119	265
Other debtors	-	15
Prepayments and accrued income	514	603
	<hr/>	<hr/>
	633	883
	<hr/>	<hr/>

16. Creditors: amounts falling due within one year

	2017	2016
	£'000	£'000
Trade creditors	460	366
Rent and service charges received in advance	143	143
Recycled capital grant fund (note 19)	200	-
Other taxation and social security	111	51
Other creditors	1	76
Accruals and deferred income	2,101	2,849
	<hr/>	<hr/>
	3,016	3,485
	<hr/>	<hr/>

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

17. Creditors: amounts falling due after more than one year

	2017	2016
	£'000	£'000
Debt (note 20)	76,241	76,235
Deferred Social Housing Grant	31,014	31,479
Leaseholder sinking fund	190	162
	<u>107,445</u>	<u>107,876</u>

Deferred Capital Grant: Reconciliation

	2017	2016
	£'000	£'000
Opening Balance	34,062	33,788
Accumulated Amortisation	<u>(2,583)</u>	<u>(2,261)</u>
	31,479	31,527
Amortisation charged during the year	(307)	(322)
Transfer to RCGF	(458)	(267)
Transfer from RCGF	166	307
New grant received during the year	134	234
	<u>31,014</u>	<u>31,479</u>

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**For the year ended 31 March 2017

18. Financial Instruments**Debtors and creditors**

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the Statement of Comprehensive Income in other operating expenses

Loans, Investments and short term deposits

All loans, investments and short term deposits held by the Association are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost), FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Association has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instrument are stated in the Statement of Financial Position at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position consists of cash at bank, in hand, deposits and short term investments with an original maturity of three months or less.

The Association has also identified some investments, which meet the definition of cash and cash equivalents but are restricted in their use; these investments have been classified as restricted cash equivalents.

19. Recycled capital grant fund

	2017	2016
	£'000	£'000
At 1 st of April	633	673
Additions in the year	458	267
Interest Accrued	-	-
Utilised in Development of property	(166)	(307)
	<hr/>	<hr/>
At 31 March	925	633
	<hr/>	<hr/>
Due in less than one year	200	-
Due in more than one year and less than three years	725	633
Due in more than three years	-	-
	<hr/>	<hr/>
	925	633
	<hr/>	<hr/>

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**For the year ended 31 March 2017

20. Debt analysis

	2017	2016
	£'000	£'000
Due after more than one year		
Bank loans	77,400	77,400
Loan issue costs	(1,159)	(1,165)
	<hr/>	<hr/>
	76,241	76,235
	<hr/>	<hr/>

Security

The bank loans are secured by fixed charges on the Association's individual properties.

Terms of repayment and interest rates

The bank loans are repaid at the end of the term on which the loan is secured, at fixed and variable rates of interest ranging from 0.81% to 5.31%.

At 31 March 2017 the Association had undrawn loan facilities of £20m (2016: £20m).

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

20 Debt analysis (continued)

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

	2017	2016
	£'000	£'000
5 years or less	10,000	10,000
6 years to 10 years	14,900	14,900
10 years to 20 years	10,000	10,000
10 equal instalments from 2042 to 2051	42,500	42,500
	<u>77,400</u>	<u>77,400</u>

21. Pension liability

	2017	2016
	£'000	£'000
Pension liability	<u>3,063</u>	<u>2,542</u>

22. Non-equity share capital

	2017	2016
	£	£
Shares of £1 each issued and fully paid		
At 1 April 2016	11	11
Shares issues during the year	-	-
Shares surrendered during the year	(2)	-
	<u>9</u>	<u>11</u>
At 31 March 2017	<u>9</u>	<u>11</u>

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.

Each Member of the Association holds one share of £1. The shares are non-transferable and non-redeemable and carry no rights to receive either income or capital repayments.

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

23. Cash flows from operating activities

	2017	2016
	£'000	£'000
Operating surplus	7,857	7,786
Depreciation of tangible fixed assets	1,990	2,029
Abotrive costs	-	1
Change in stock	202	218
Change in debtors	250	318
Change in creditors	(669)	(362)
Change in Sinking Fund	28	27
Amortisation of Grant	(307)	(323)
Amortisation of loan fees	5	-
(Decrease)/Increase in pension provision	(247)	(206)
Carrying value of disposed property	1,613	1,930
Net Cash Inflow	10,722	11,418

24. Capital Commitments

	2017	2016
	£'000	£'000
Capital expenditure		
Purchase of Fixed Assets	131	165
Expenditure contracted for but not provided in the accounts	2,441	1,183

The above commitments will be financed from current cash reserves.

ROSEBERY HOUSING ASSOCIATION LIMITED**FINANCIAL STATEMENTS**

For the year ended 31 March 2017

25. Leasing Commitments

As at 31 March, the Association had minimum lease commitments under non-cancellable operating leases as set out below:

	2017			2016		
	Land and Buildings	Office equipment and computers	Vans	Land and Buildings	Office equipment and computers	Vans
	£'000	£'000	£'000	£'000	£'000	£'000
1 year or less	127	25	39	127	-	-
1 to 5 years	127	7	39	254	36	-
Later than 5 Years	-	-	-	-	-	-
	254	32	78	381	36	-

26. Related Parties

There were no tenant members of the Board during the year.

Disclosures relating to key management personnel and the pension schemes are given in note 9. No other related party transactions have been identified.

No other related party transactions have been identified.