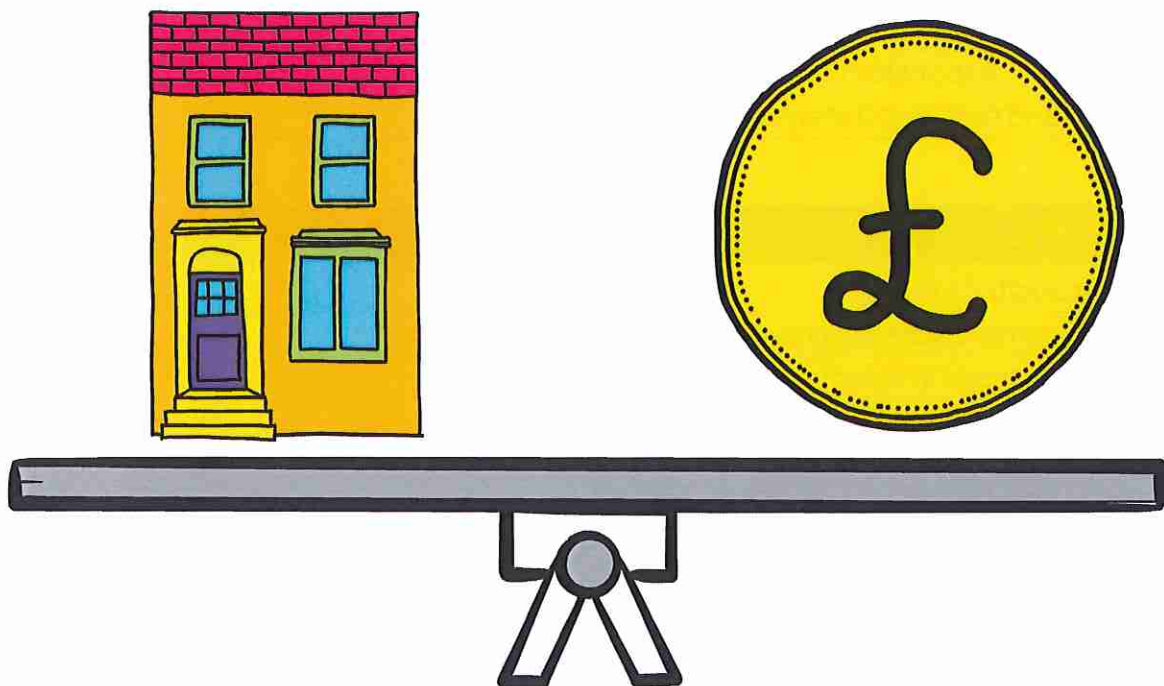


# Living

**Living Housing Limited**  
**Report and Financial Statements**  
For the year ended 31 March 2018



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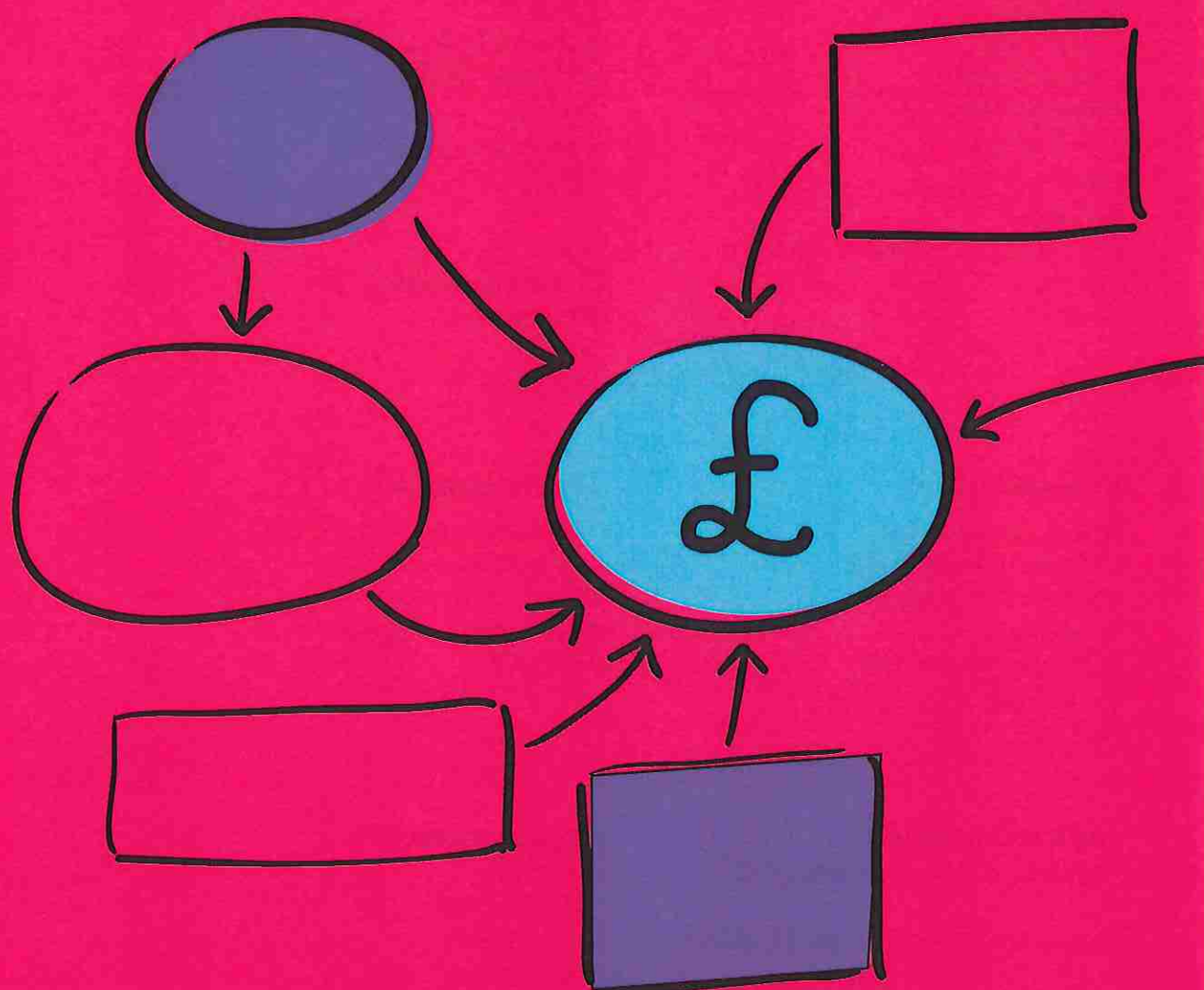
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# Strategic Report of the Board and Financial Review



## General Information

### Chair of the Board

Ian Youll

### Chief Executive

Colin Steel

### Vice Chair

Alan Fletcher

### Executive Directors

Sean Brodie (Executive Director of Finance and Development)

Alan Boddy (Executive Director of Operations)

Wayne Harris (Executive Director of Property and Development,  
to 30/06/2018)

### Board members

Adele Barnett

Oliver Colling

Dennis Bradley

Charlotte Harrison

Norman Rollo

David Walton

Ian Geldard

(from 21/09/2016 to 11/05/2017)

### Advisors

Bankers:

Nat West PLC

12 Market Street

Durham

County Durham

DH1 3NG

Solicitors:

Trowers & Hamblins LLP

3 Bunhill Row

London

EC1Y 8YZ

### External Auditors:

Beever and Struthers

Chartered Accountants

and Business Advisors

St George's House

215-219 Chester Road

Manchester

M15 4JE

### Internal Auditors:

Pricewaterhouse Coopers LLP

Central Square South

Orchard Street

Newcastle upon Tyne

NE1 3AZ

### Registration Numbers:

Regulator of Social Housing L4538

Registered Society number 30568R

### Registered office:

Farrell House

Arlington Way

DurhamGate

Spennymoor

County Durham

DL16 6NL

## Chair's Statement

In my final year as Chair I am pleased to report that Livin has had another year of strong progress and continues to deliver key achievements and successes.

The operating environment remains challenging and provides us with some uncertainty for the future. Continued reduction in social rents and the implementation of universal credit for many of our customers, means that Livin's Board must manage these risks and respond accordingly.

This report highlights some of our key strengths which include our financial performance and healthy Statement of Financial Position. Our financial capacity has enabled us to continue with our plan for growth. This includes developing more than 300 homes over the next 3 years, some of which will be for low cost home ownership such as Shared Ownership and Rent to Buy.

We completed our first regeneration project during the year, York Hill, Spennymoor. This scheme has significantly improved a challenging estate and turned it into a thriving community. We are particularly proud to have received recognition by winning the "Regeneration scheme of the year 2018" at the Northern Housing Awards in June 2018.

Our achievements would not be possible without our very high standards of governance. These allow us to react to the challenging environment and to continue to improve performance in key areas, delivering some excellent outcomes for our tenants and communities.

We are delighted that following a stability check we retained the top governance and financial viability ratings of G1 and V1.

We have undertaken a significant review of composition of the board and a subsequent recruitment exercise to find three new board members whose skills will strengthen the Board. As I step down I wish both new and existing board members continued success. I know that in my replacement, Alan Fletcher, they will have an exceptional Chair, who will ensure Livin builds on past successes and provide the excellent services that our customers expect.

### Ian Youll - Chair



## Chief Executive's Statement

Significant progress in delivering the first year of our Business Strategy, Plan A, has enabled us to strengthen our business and provide the foundations for future growth. The strategy was developed to cope with the significantly changing business environment in which we operate. Our aims and objectives enable us to be adaptive and agile whilst remaining anchored to our vision, mission and values.

Livin remains financially strong as demonstrated by our EBITDA MRI as a % of Turnover which was 36.9% (2017: 36.0%) and our net debt position which improved by £5.27m.

We look to build on efficiencies and savings already achieved via the delivery of Livin's Construction Related Services Contract, which continues to provide high quality repairs and home improvements. A review of this service has enabled us to put plans in place to further integrate processes and systems. This realignment should deliver improved services and an increased focus on our customers.

Our aim is to develop a more personalised service across a range of tenures that will support our key objective of "delivering an excellent customer experience" and importantly allow customers to remain in their homes for longer.

Following customer feedback we developed our online services, creating our new "Livin App". This enables our customers to manage their tenancies 24/7 including reporting and checking on the progress of repairs, paying rent and checking their rent account, along with contacting us and providing feedback.

We will continue to focus on sustaining strong communities and creating places where people choose to live through the provision of great homes and opportunities. We will invest in and support our staff to ensure we have the skills and the environment to enable them to flourish and achieve their full potential to deliver business success.

As ever, our achievements during the year are the result of the efforts and contributions of many people. I'd like to thank our outgoing Chair for his leadership and support in making Livin a success. I'd also like to thank our Board, staff, customers and partners for their ongoing efforts and commitment to Livin.

### Colin Steel - Chief Executive



## At a glance

### Operating Margin

2017  
39.1%

2018  
**33%**

### EBITDA

2017 £18.23m

2018 **£16.61m**

### Units in management

2017  
8,373

2018  
**8,376**

### Number of housing responsive repairs completed

2017  
24,601

2018  
**25,460**

### Void loss (all properties)

2017 2.57%

2018 **2.33%**

### Total Arrears (adjusted for housing benefit due)

2017 1.65%

2018 **2.07%**

### Investment

(housing development & improvements to homes)

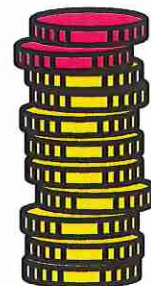
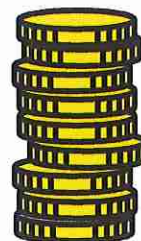
2017  
£9.199m

2018  
**£10.826m**

### Social Value generated

2017 £7.164m

2018 **£10.645m**



## Our Business

The Board of Livin is pleased to present this report together with the audited financial statements of Livin Housing Limited (the Association) for the year ended 31 March 2018. This Strategic Report has been prepared in accordance with the principles set out in paragraph 4.7 of the 2015 SORP for Registered Social Housing Providers.

### Principal Activities

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

Livin's head office is based in Spennymoor, County Durham and its homes are mainly in County Durham.

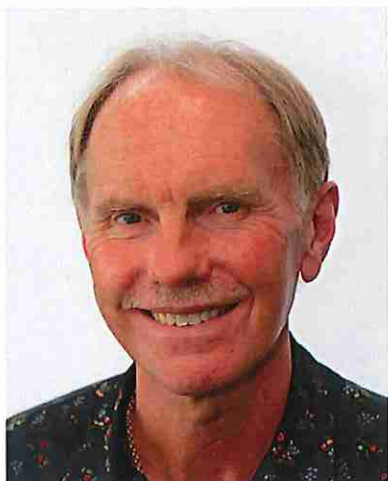
Livin is a Registered Society under the Co-operative and Community Benefit Societies Act with charitable objectives and operates the key business stream of:

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



## Board Members

Board members at the date of approval of these financial statements are:



**Ian Youll**  
**Chair of the Board**

Ian is Chair of the Board and has been a Board member since 2009. Previously he served for more than thirty years for the Fire and Rescue Service, holding executive level responsibility for risk and resilience, learning and development, HR, health and safety, information and communication technology, research and development and diversity as well as sharing the corporate responsibility for the overall performance and budgetary status of the service.

Through this experience and expertise, Ian was able to play a positive role in helping to lead Livin to its continued future success. Ian is also a Master of Business Administration and holds professional qualifications in Human Resource Management and Health and Safety Audit as well as being a past member of the board of the National Tenants Voice.



**Alan Fletcher**  
**Vice Chair of the Board**

Alan has been a Board member with Livin since 2012 and is the current Vice-Chair and is Chair elect of the Board. He is a tenant and member of the HR and Remuneration, Housing and Communities and Assets and Development Committees.

Most of Alan's working life has been in transport and distribution in a variety of operational and management roles. Since retiring he has trained and worked in the voluntary sector, with a particular interest in welfare rights and benefits.



**Adele Barnett**  
**Independent Board Member**

Adele has been a Board member since 2014 and previously chaired the HR and Remuneration Committee, of which she is still a member. She is also currently a member of the Audit and Risk Committee, and is Chair of the Housing and Assets Committee.

A graduate of sociology, Adele has worked in health and social care for over 14 years in local government and voluntary organisations, and has managed an information service providing advice to disabled people and carers about a variety of issues including housing and employment.

Previously employed at Bishop Auckland Technical College, Adele is currently Community Events Manager for Darlington Elim church she is responsible for the development and delivery of community outreach events, and is passionate about building strong community links.

## Board Members

Board members at the date of approval of these financial statements are:



**David Walton**

**Independent Board member**

David has been a member of the Board since September 2016. He is currently a member of the Audit and Risk and Assets and Development Committees.

Masters qualified, David, has worked as an independent environmental consultant since 2013 and brings experience and knowledge of planning, project management and the environment after a career in both the private and public sector.



**Oliver Colling**

**Independent Board Member**

Oliver has been a Board member since 2015 and is currently Chair of the Audit and Risk Committee. He is also a member of the Assets and Development Committee.

A Durham University graduate, Oliver has built three successful businesses and is a qualified accountant. With over 25 years' experience Oliver runs a management consultancy business and has helped a broad range of organisations and individuals reach their full potential through strategic business advice and enabling them to 'do things better'.



**Norman Rollo**

**Independent Board Member**

Norman has been a Board member since November 2016. He is currently Chair of the Human Resources and Remuneration Committee and a member of the Audit and Risk Committee.

With a professional career in human resources and management consultancy, Norman has also, in previous roles, been responsible for developing community services and providing excellent customer support.

Brought up in a council house, Norman is proud of what good social housing can offer to tenants and the respect and self-worth it can bring to those it supports.

## Board Members

Board members at the date of approval of these financial statements are:



**Dennis Bradley**  
**Independent Board Member**

Dennis has been a Board member since November 2016 and prior to that he was Chair of Livin's Scrutiny Group. He is currently Chair of the Assets and Development Committee. He is also a member of the Housing and Communities and the Human Resources and Remuneration committees.

With two master's degrees, Dennis has over 40 years' experience in the public sector, working for large complex organisations. Dennis spends his time since retiring assisting as a Chair of Governors as well as his work with Livin.



**Charlotte Harrison**  
**Independent Board Member**

Charlotte has been a Board member since February 2017. She is currently on the Assets and Development and Housing and Communities committees.

With over 20 years' experience in the housing sector across a variety of housing organisations, Charlotte began her career in London working for a Latin American Housing Co-operative. Since then Charlotte worked in the South West and North East before joining the Northern Housing Consortium where she led the policy and public affairs service for 12 years.

Board Member	Date of resignation
Ian Geldard	11/05/2017

There were no new Board members appointed during the year.

## Board Members

### Board Attendance

The table below shows each Board member's attendance at Board and Committee meetings during the financial year:

Board Member	Board	Audit & Risk	Assets & Development	Housing & Communities	HR & Remuneration
Ian Youll	11 out of 11		3 out of 3	2 out of 3	2 out of 4
Alan Fletcher	11 out of 11	2 out of 2	2 out of 3	3 out of 3	3 out of 4
Adele Barnett	11 out of 11	3 out of 4		3 out of 3	4 out of 4
Oliver Colling	9 out of 11	4 out of 4	3 out of 3		
Dennis Bradley	11 out of 11		3 out of 3	2 out of 3	4 out of 4
Charlotte Harrison	11 out of 11		2 out of 3	2 out of 2	
Norman Rollo	11 out of 11	4 out of 4			4 out of 4
David Walton	9 out of 11	3 out of 4	2 out of 3		
Ian Geldard	0 out of 0	1 out of 1			

The Executive Directors are the Chief Executive and other members of the executive management team. They hold no interest in Livin's shares and act as Executives within the authority delegated by the Board.

Our insurance policies indemnify Board members and staff against liability when acting for Livin.

## Business Strategy

Livin's Business Strategy, **Plan A**, covers the period April 2017 to March 2019 and provides a clear direction and focus for growing and diversifying our business in line with our mission to **provide great homes, sustain strong communities and build a successful business.**

Plan A sets out an ambitious programme to relentlessly focus on the customer, grow our business, drive innovation, efficiency and productivity and stay true to our social purpose. We are doing so because we believe that everyone deserves great services and a great customer experience and because it makes business sense. This means that Livin is more than ever a social business that deploys a commercial approach to the interrelated ingredients of resourcing, service design and service delivery.

Plan A is a set of eight very clear, measurable and deliverable high-level objectives designed to improve people's lives and the communities in which they live. So whilst the means of delivery may become digital and more efficient, and our employees and partners may become more productive and customer-focussed, through Plan A, we are confident we will succeed in **building a successful business that provides great homes and supports customers to improve their lives.**

Our Business Strategy was developed to cope with the changing business environment ensuring Livin remains agile, adaptive but anchored to our mission and values.

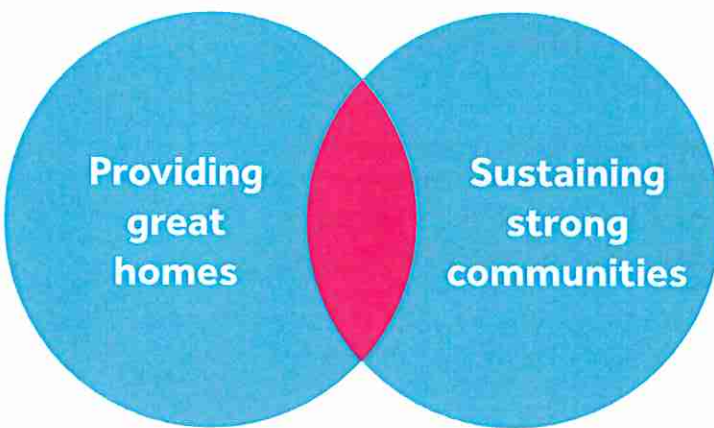
# Business Strategy

## Plan A: Our Business Strategy - Mission, Vision, Priorities, Objectives

### Our Mission is...

**To Provide Great Homes, Sustain Strong Communities and Build a Successful Business.**

### Building a successful business



### Our Priorities...

**Plan A focuses on taking control of our own destiny, as we encourage customers and employees to take control of theirs. It outlines the objectives, key projects and risks we need to manage to achieve our vision and reach our full potential.**

The priority drivers for Plan A are to relentlessly:

- 1. Focus on customers**
- 2. Grow the business**
- 3. Drive innovation, efficiency and improve productivity**
- 4. Embrace our social purpose**

### Our Objectives...

**Plan A is underpinned by eight high level business objectives and a series of Strategic Objectives which are structured to align to our Mission.**

## Business Strategy

These high level Business Objectives are:

**Objective 1:**  
**Delivering an Excellent Customer Experience**

**Objective 2:**  
**Enabling Sustainable Tenure**

**Objective 3:**  
**Optimising Return on Assets**

**Objective 4:**  
**Building and Acquiring Homes**

**Objective 5:**  
**Improving Existing Homes**

**Objective 6:**  
**Sustaining Strong Communities**

**Objective 7:**  
**Enabling Employees to Flourish**

**Objective 8:**  
**Increasing Financial Capacity**

Our criteria for success in delivering Plan A;

**Our organisation will be:**

Ambitious, professional and efficient. Constantly challenging ourselves to be bold but maintaining sustainability and independence by recognising and balancing ambition with risk. An organisation which others wish to emulate, with a customer focused infrastructure helping to design high quality accessible services that meet the needs of our customers.

**Our people will be:**

Committed to working together to create a winning team, believing in the part they play as individuals in making the organisation a success and why. They will take ownership and make a difference and feel rewarded and recognised as a result and be champions for both Livin and its communities.

**Our communities will be:**

Sustainable communities comprising of economically and socially included people in places where they want to live and work, where they feel safe and are offered equality and opportunity. Being in a Livin community or a Livin home will in itself be an aspiration because of the positive impact and reputation of our organisation.

## Finance - Five Year Summary

	2017/18 (FRS 102) £'000	2016/17 (FRS 102) £'000	2015/16 (FRS 102) £'000	2014/15 (FRS 102) £'000	2013/14 (UK GAAP) £'000
<b>Statement of Comprehensive Income</b>					
Turnover	34,551	34,758	35,068	34,285	33,116
Operating Surplus	11,387	13,606	12,872	7,367	6,638
Surplus for year	6,523	9,262	8,571	4,168	3,343

### Statement of Financial Position

Housing Properties (net of depreciation)	120,197	116,300	112,360	109,090	100,372
Grant	-	-	-	-	(4,532)
Investment Properties & Other Investments	7,654	7,748	7,487	7,479	-
Other Fixed Assets	3,793	3,917	4,337	4,876	5,051
<b>Total Fixed Assets</b>	<b>131,644</b>	<b>127,965</b>	<b>124,184</b>	<b>121,445</b>	<b>100,891</b>
Current Assets	11,168	4,849	5,282	4,155	4,047
Current Liabilities	(6,184)	(5,520)	(13,902)	(19,517)	(15,481)
<b>Total Assets less Current Liabilities</b>	<b>136,628</b>	<b>127,294</b>	<b>115,564</b>	<b>106,083</b>	<b>89,457</b>
Long Term Loans	74,222	72,107	70,183	69,777	64,579
Pension Deficit/(Surplus)	6,840	5,660	2,120	2,070	(470)
Revenue Reserve	48,912	42,628	36,333	27,322	25,348
Revaluation Reserve	6,654	6,899	6,928	6,914	-
<b>Total Reserves</b>	<b>136,628</b>	<b>127,294</b>	<b>115,564</b>	<b>106,083</b>	<b>89,457</b>
<b>Net Debt</b>	<b>56,977</b>	<b>62,247</b>	<b>69,315</b>	<b>75,518</b>	<b>71,177</b>

### Other information and key performance measures

Housing Properties (units)	8,376	8,373	8,480	8,504	8,525
Operating Surplus as a % of Turnover	33.0%	39.1%	36.7%	21.5%	20.0%
Surplus for the year as % of Turnover	18.9%	26.6%	24.4%	12.2%	10.1%
Rent losses (voids + bad debt as a % of rent receivable)	2.6%	2.9%	3.5%	3.9%	3.8%
EBITDA	16,611	18,230	17,385	13,906	12,150
EBITDA MRI	12,757	12,496	11,145	5,993	(613)
EBITDA MRI % turnover	36.9%	36.0%	31.8%	17.5%	-1.9%
Interest Cover	2.21	2.87	2.51	1.59	1.51



## Financial Review

### EBITDA MRI

EBITDA MRI is used to monitor financial performance as this provides a closer match to cash generation, an essential part of Livin's loan covenant monitoring. Using this measure performance has improved from £12.496m to £12.757m. However, the overall surplus for the year has fallen by £2.739m to £6.523m. During the year Livin completed its first regeneration scheme at York Hill, Spennymoor which, combined with other capital schemes, resulted in Major repairs expenditure totalling £1.354m being charged to Operating costs. In addition to this depreciation increased, a result of Livin's investment in existing properties and new developments over recent years.

### Rent losses from voids

The type and location of certain properties, combined with the impact of Welfare Reform on housing benefit dependent tenants has resulted in areas of low demand. Mitigations have been put in place to reduce this impact and continue to have a positive effect.

The void loss in 2017/18 was £0.784m compared to £0.873m in the previous year.

### Asset management & Property Developments

We are continuing to improve our residential accommodation and acquire new properties. During 2017/18 we invested £10.826m to acquire homes and ensure all our homes continue to meet the Decent Homes Standard. This included spending £5.788m on new development and £2.087m on Livin's regeneration scheme at York Hill, Spennymoor.

### Rent arrears

Overall, rent arrears in respect of current tenancies at the year-end stood at 1.14% (2017: 0.95%) after accounting for the timing of a housing benefit payment received shortly after the year end. Livin continues to work well with customers, helping tenants from the commencement of their tenancy. Support for customers who are struggling to pay their rent is provided by the Financial Wellbeing Team.

Livin has seen a significant increase in Universal Credit claimants after the year end, as Universal Credit was introduced across the remaining areas of County Durham in June 2018.

Livin has identified that many households find Universal Credit harder to manage than traditional weekly benefits, and rent arrears amongst claimants is higher than the average rent arrears for Livin households. Livin offers additional support to Universal Credit claimants, including budgeting and income maximisation advice; support to comply with the "claimant commitment" and digital access elements of the Universal Credit process; and referrals to debt advisors, and other third party agencies where appropriate.

Livin continues to focus on arrears given the pressures of Welfare Reform, and works with existing and potential new tenants to ensure that they are able to afford their home, creating sustainable tenancies.

## Capital structure and treasury policy

Livin's treasury management arrangements are set out below.

Livin did not have any additional borrowings during the year (2017 £0.5m) and made no further loan repayments (2017 £8.0m). A summary of the borrowings at year end is shown in the table below.

<b>Maturity</b>	<b>2018 £m</b>	<b>2017 £m</b>
Within one year	-	-
Between one and two years	-	-
Between two and five years	-	-
After five years	65.40	65.40
	65.40	65.40

### Working Capital and liquidity management

Livin's working capital and liquidity requirements are managed through the preparation of regular cash flow forecasts. These are constantly updated to ensure liabilities can be met as they fall due. Livin holds loans from RBS, Barclays and Santander, at both fixed and floating rates of interest. Cash flow is monitored to ensure that loan drawdowns are only made when required, in order to minimise borrowing costs.

### Interest rates

Fixed rate loans are used to manage our exposure to interest rate fluctuations. Livin's treasury policy targets a maximum of 30% variable rate loans or a maximum of 90% fixed rate loans. However, due to continued strong cash flow performance the amount of variable loans outstanding were £0.9m, resulting in 98.6% of our borrowings being at fixed rates at the year end.

The range of interest rates on the fixed rate loans varies between 6.45% and 6.84% (including margins) and is 2.25% above LIBOR on the revolving loan. These interest rates are higher than the sector average. The stock transfer which formed Livin was concluded in March 2009; at this time, uncertainty in the financial markets meant borrowing costs were relatively high. These borrowing costs were at market rates at the time that the loan facilities were put in place.

The costs associated with breaking the existing fixed rate loans and refinancing Livin's facilities remain high. However, borrowing capacity has increased following the latest annual stock valuation. This significant increase is the result of a revised stock condition survey which highlighted that future investment required in our properties had reduced since the previous survey in 2014. This is a result of:

- improvement works already carried out since the 2014 survey
- reviewing and extending the useful economic life of components
- reduced costs negotiated under the Construction Services Contract (let in 2016).

The increased borrowing capacity has allowed the Board to consider refinancing. Options which provide an opportunity to deliver medium/longer term objectives and deliver Value for Money will be considered.

### Peak Debt

Livin's Business Plan for 2018-48 has been prepared in accordance with the existing capital structure and includes a pipeline of developments over the next three years, with peak debt forecast at £74.0m in March 2021.

## Financial Review

### Employees

We recognised that the success of our business depends on the quality of our leaders, managers and staff. It is the policy of Livin 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 Equality Act (2010), both in recruitment and in retention of employees who become disabled whilst employed by Livin.

### Health and Safety

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.

### Future developments

The Board has approved plans to spend approximately £5.217m during the next financial year to improve existing general housing. In addition, Board approval has been given for £10.281m (net of grant) to be spent in 2018/19 on the provision of new homes. This investment will be funded by existing committed, undrawn loan facilities, rental income and short term deposits.

### Donations

Livin donated £3,535 (2017 £690) to charitable organisations.

No political donations were made.

## Performance and development

Executive management team and the Board monitor achievement of Livin's objectives by measuring performance against targets. The Board agrees targets each year that are designed to deliver continuous service improvement and are therefore challenging.

The performance measures are monitored and reported to Board on a quarterly basis. Our performance against key indicators are set out in the table below.

Performance Indicator	2017/18 Target	Performance score	Actual versus Target
Overall satisfaction with customer experience	85%	92.34%	😊
Average time taken to re-let housing (calendar days - excluding major works)	28	39.96	😞
% of responsive repairs completed right first time	85%	81.12%	😞
% of emergency repairs attended and completed within 4 hours	95%	98.22%	😊
% of homes with a valid landlord gas safety record	100%	99.98%	😞
% of sustainable stock that comply with Decent Homes Standard	100%	100%	😊
New supply delivered (developed and acquired)	0.73%	0.92%	😊
Proportion of rent collected as a % of rent owed	99.47%	101.98%	😊
Total rent arrears as a proportion of rent roll	2.13%	2.07%	😊
% of rent lost through dwellings becoming vacant (excluding properties held void for asset management reasons)	1.08%	1.21%	😞
Number of working days / shifts lost due to sickness absence (Total)	3.5	4.43	😞
Employee turnover	10.00%	14.39%	😞

## Value for money

### Livin's Value for Money Strategy

The Regulator of Social Housing introduced a revised Value for Money Standard from April 2018, which registered providers are required to report against in their 2017-18 financial statements.

In response to the revised Standard, Livin reconsidered its approach to Value for Money during 2017-18. A revised Value for Money Strategy was approved by the Board in July 2018.

This strategy reaffirms Livin's continued commitment to embedding Value for Money considerations throughout its governance processes, its business planning and performance management frameworks, and through its service delivery culture. It is designed to support Livin's business strategy, Plan A, which highlights "driving innovation, efficiency and productivity" as priorities.

The overall vision of the Value for Money Strategy is:

**"to drive the achievement of Livin's strategic and charitable objectives by ensuring that Livin's approach to the management of resources is strategic and comprehensive, and considered and embedded at both strategic and operational levels".**

### Our approach to Value for Money

The revised Regulatory Standard requires registered providers to review and understand their performance against the Value for Money technical metrics set by the Regulator, as well as their own Value for Money targets.

Livin's Board sets performance and financial targets based on the strategic

objectives contained within its Business Strategy. To ensure that the Board considers the effect of its decisions on the technical metrics established by the Regulator, it is provided with a three year forecast of the technical metrics when setting the annual budget. This forecast also includes Livin's historical performance for each metric and a comparison against the sector as a whole (all registered providers in England with over 1,000 properties) divided into quartiles.

Livin also considers performance against the Sector Scorecard, which includes a broader range of metrics covering operational as well as financial performance.

### Value for Money Performance

The tables overleaf compares Livin's performance in 2017/18 against:

- Actual performance in 2016/17 and 2015/16;
- Forecast performance for 2018/19; and
- Comparative performance against the sector as a whole using 2016/17 data.

Performance is assessed against the Regulator of Social Housing's Technical Metrics (TM) and the Sector Scorecard metrics (SS).



Where possible, sector wide performance data is taken from the Global Accounts published by the Regulator of Social Housing, which includes data for all registered providers with more than 1,000 units. At the time of preparing this report, comparative information from registered providers for 2017/18 was not available, so 2016/17 data has been used.

## Value for money

The Global Accounts do not include comparative data for all Sector Scorecard measures; where Global Accounts information is not available, we have used comparative data provided by Housemark through their Sector Scorecard report (marked \* in the tables below). This is based on data provided by 315 registered providers, including providers with fewer than 1,000 units.

The Board aims to achieve a balanced performance across the Regulator of Social Housing's Value for Money technical metrics, aiming for Livin's blended average performance to be above median across the technical metrics as a whole.

### Business health

Metric	Type	2019 forecast	2018	2017	2016	2018 performance	Quartiles
<b>Operating margin (Social Housing)</b>	TM	23.3%	29.5%	39.1%	34.2%	Lower median 	Upper 39.9% Median 34.3% Lower 28.0%
<b>Operating margin (overall)</b>	TM	25.5%	31.4%	38.3%	36.7%	Upper median 	Upper 35.9% Median 31.2% Lower 24.6%
<b>EBITDA MRI Interest Cover</b>	TM	189%	236%	257%	274%	Upper median 	Upper 282.3% Median 216.4% Lower 175%

Livin's **operating margin (Social Housing)** has reduced in the year, moving from upper median quartile performance in 2016/17 to lower median quartile performance in 2017/18.

Since social housing lettings constitutes the majority of Livin's income, **overall operating margin** has also reduced during the year, in keeping with the reduction in the operating margin for social housing only. However, we continue to deliver upper median quartile performance in this area.

Major factors influencing the reduction in operating margin include:

- The loss of income arising from the 1% rent reduction introduced by the Welfare Reform and Work Act 2016, in common with all registered providers, reducing operating margin by around 1%;

- An increase in staff costs, and particularly actuarial adjustments affecting pension costs in 2017/18, reducing operating margin by a further 1.2%;
- An increase in expenditure on major repairs, including non-capital works associated with the regeneration at York Hill and improvement works on existing stock, reducing operating margin by a further 1.8%; and
- An increase in depreciation and impairment charges following capital investment in prior years, reducing operating margin by a further 1.8%.

## Value for money

Livin has not undertaken significant diversification into lower margin, higher risk activities such as personal care or non-social housing development. It is recognised that these types of activities can produce wider benefits for local communities, and therefore Livin does from time to time consider its position on diversification.

In addition to Operating Margin, Livin monitors performance against 'Earnings Before Interest, Tax, Depreciation and Amortisation, Major Repairs Included' (EBITDA-MRI) both as an absolute measure and as a percentage of turnover, as set out in the Financial Performance section. EBITDA-MRI is the level of surplus generated, adjusted to remove the effect of non-cash items such as depreciation and amortisation but including capitalised expenditure on major repairs. Although Livin's Operating Margin reduced in 2017/18 by 6.9%, EBITDA MRI actually improved from £12.496m to £12.757m, and EBITDA-MRI as a percentage of Turnover increased by 0.90% to 36.90%.

**EBITDA-MRI Interest Cover** is the amount of interest paid on loan finance compared to earnings. This measure indicates the affordability of an organisation's current borrowings and its capacity to meet the interest payments on additional future borrowings.

Two factors have contributed to a reduction in performance in EBITDA-MRI Interest Cover in the year from Upper quartile performance to Upper Median quartile performance. Livin's operating margin has reduced, due to the factors set out above; and interest payable for the year has increased, reflecting a higher margin charged on Livin's financing arrangements during the year. As set out in the section "Capital Structure and

Treasury Policy", the Board is currently considering refinancing options which could help to reduce interest charges, and hence improve performance against this metric, in the longer term.

The forecasts for 2019 predict a decrease in performance against these measures, to lower median performance for two measures and lower quartile performance for one measure. This is partly because Livin prepares its budgets and forecasts on a prudent basis, ensuring that it has the resources in place to safeguard its social housing assets. This prudent approach typically reduces forecast operating margin by 2.08% and EBITDA-MRI Interest Cover by 10%.

Livin's EBITDA-MRI Interest Cover performance is currently well above the sector median, but is forecast to reduce as debt rises in future years to fund further development and regeneration projects.

Prior to approving the annual budget and to inform its decision, Board received a forecast of the Value for Money technical metrics together with a detailed explanation of both the year-on-year trends and the variance to the sector median performance.

## Value for money

### Development (Capacity & Supply)

Metric	Type	2019 forecast	2018	2017	2016	2018 performance	Quartiles
<b>Units Developed (Absolute)</b>	SS	102	77	8	29	Lower median 	Upper 205 Median 80 Lower 19
<b>New supply delivered % (Social housing units)</b>	TM	1.4%	0.92%	0.1%	0.6%	Lower median 	Upper 2.2% Median 1.2% Lower 0.45%
<b>New supply delivered % (non-social housing units)</b>	TM	-	-	-	-	Livin does not currently have a programme of non-social housing delivery, and therefore no performance is reported against this metric.	
<b>Gearing</b>	TM	51.4%	47.4%	56.2%	64.8%	Lower median (no sector-wide optimum)	Upper 60.3% Median 48.2% Lower 38.4%

77 new build properties were delivered in 2017/18, a significant improvement on the 8 units delivered in the previous year. Performance in both **New Supply Delivered % (Social Housing Units) (sector wide)** and **Units Developed (Absolute)** improved to lower median against the sector, compared to lower quartile performance in the previous year. Increasing the level of new supply delivered is a key part of Livin's Business Strategy, although development must be in keeping with Livin's financial resources and risk appetite.

This year, new developments included those at Butterby Close and Central Drive, both in Spennymoor; St Andrew's Close in Aycliffe; and at Thirlmere Road, Ferryhill. A number of newly built properties were also acquired through Section 106 agreements, including in Newton Aycliffe and Middlestone Moor. There is high demand for our newly built properties, and Butterby Close was a regional winner in the 2018 LABC Building Excellence

Awards. Livin continues to work in partnership with local property development companies to secure Section 106 properties which meet community needs.

Lower quartile performance in delivery of new supply in 2017/18 is a result of the suspension of Livin's development pipeline in 2015/16, whilst the full impact of the rent reduction was evaluated. This led to a significant delay between the approval of additional funds for new developments and completion of these developments.

Looking to the future, Livin has a longer term ambition to increase the number of properties delivered; the current development programme for 2018/19 is expected to improve performance to the Upper Median quartile.

Livin does not currently have a programme of non-social housing delivery, and therefore no performance is



## Value for money





reported against the metric **New supply delivered % (non-social housing units)**. However, Livin does have ambitions to extend the range of products that it offers and the Board is considering appropriate methods of delivering this ambition.

In terms of **gearing**, it is generally acknowledged that there is no sector-wide optimum performance for gearing, and that the optimum level of gearing for each registered provider is subject to individual circumstances. Gearing is a

measure of loan finance held as a percentage of the total value of housing assets owned by Livin. The current level of gearing is close to the sector median and considered to be appropriate for Livin at this point in time.

Planned future investment in both regeneration and development work is forecast to increase Livin's level of gearing in future years.

### Outcomes Delivered

Metric	Type	2019 forecast	2018	2017	2016	2018 performance	Quartiles
<b>Resident Satisfaction (see note below)</b>	SS	87.0% (transactional basis)	92.3% (transactional basis)	96.2% (overall basis)	Not available	*Upper 	Upper 91.0% Median 86.6% Lower 82.8%
<b>£s invested in new housing supply (for every £1 generated from operations)</b>	SS	0.70	0.56	0.16	0.16	*Lower median 	Upper 1.12 Median 0.69 Lower 0.22
<b>£s invested in communities (for every £1 generated from operations)</b>	SS	0.02	0.01	0.01	0.01	*Median 	Upper 0.04 Median 0.01 Lower 0.00
<b>Reinvestment %</b>	TM	12.7%	8.9%	7.9%	7.43%	Upper 	Upper 8.7% Median 5.7% Lower 3.6%

Livin measures **Resident Satisfaction** on a transactional basis, requesting customer feedback immediately after meaningful interactions, such as a call to the Customer Service Centre or a tenancy visit. This allows us to understand the impact that our different services are having, and to make adaptations as necessary to meet customer need. Customers and tenants report very high levels of satisfaction with these services.

Whilst this method of monitoring satisfaction is not directly comparable with the "overall satisfaction level" method used by the Sector Scorecard, we consider that this level of performance is likely to equal top quartile performance.

The significant increase in **£s invested in new housing supply** reflects the increase in the number of new developments delivered in the year, as considered in the Development (Capacity and Supply) section above.

## Value for money

The measure **£s invested in communities** represents expenditure on Livin's employability support programme, Livin Futures; work undertaken with community organisations to build sustainable communities across our core areas; and financial wellbeing support delivered with partner organisations through the Monkey Project and Wise Steps, and current median performance is considered to be appropriate.

Livin's upper quartile performance against the **Reinvestment** metric in 2017/18 reflects ongoing investment in our

existing properties and core communities. During the year, we have undertaken refurbishment work across our property portfolio, including works at Rowan Avenue and Chestnut Close, both in Shildon, and Inglesgarth in Spennymoor. We also completed our major regeneration project at York Hill, which won the Outstanding Regeneration award at the 2018 Northern Housing Awards.

Livin's business strategy, Plan A, includes a continued focus on regeneration within our core communities, and we anticipate strong performance in this area in future.

### Effective Asset Management

Metric	Type	2019 forecast	2018	2017	2016	2018 performance	Quartiles
<b>Return on Capital Employed</b>	TM	6.8%	8.3%	10.7%	11.1%	Upper 😊	Upper 5.7% Median 4.4% Lower 3.6%
<b>Occupancy</b>	SS	98.9%	98.9%	99.2%	96.5%	*Lower 😞	Upper 99.8% Median 99.5% Lower 99.0%
<b>Ratio of responsive repairs to planned maintenance</b>	SS	0.85	1.90	1.14	1.17	*Upper (no sector-wide optimum)	Upper 1.00 Median 0.68 Lower 0.44

The **return on capital employed** achieved is driven by operating margin performance, and by the level of financial return made by Livin on its asset base. Livin's asset management strategy focuses on increasing the return on existing assets, achieved through regenerating or divesting of poorly performing properties. Regeneration increases the value of Livin's asset base and can help to reduce void losses and ongoing maintenance charges, but will also increase depreciation charges and reduce the return on assets achieved. Investment in new properties typically generates returns of 4% - 6% per annum

and therefore also reduces the overall return on assets achieved. Given Livin's ongoing focus on regeneration and development work, the overall return on capital employed is expected to reduce over time; however, we anticipate continued top quartile performance.

**Occupancy** levels at 31 March 2018 show lower quartile performance and a worsening position compared to 31 March 2017. This metric provides a snapshot of performance at the year end and is not representative of the performance improvements made to our void levels during 2017/18; as can be seen from

## Value for money

Note 3 to the financial statements, average void loss was reduced slightly in 2017/18. Increasing occupancy levels, both by reducing void turnaround time and by supporting existing tenants to sustain their tenancies, remains a key objective for Livin.

The **ratio of responsive repairs to planned maintenance** has increased significantly in the year and remains significantly higher than sector averages. Livin's properties are in a good state of repair following extensive post-transfer refurbishment works.

Correspondingly, a relatively low level of planned maintenance work is currently being undertaken, and responsive repair expenditure appears high by comparison. Livin's Maintenance cost per unit of major repairs (as set out in the commentary on the Headline Social Housing Cost per Unit metric, below) is in the lower median quartile, providing assurance that, despite the high ratio, overall value for money is being achieved through the repairs and maintenance service.

## Value for money

### Operating efficiencies

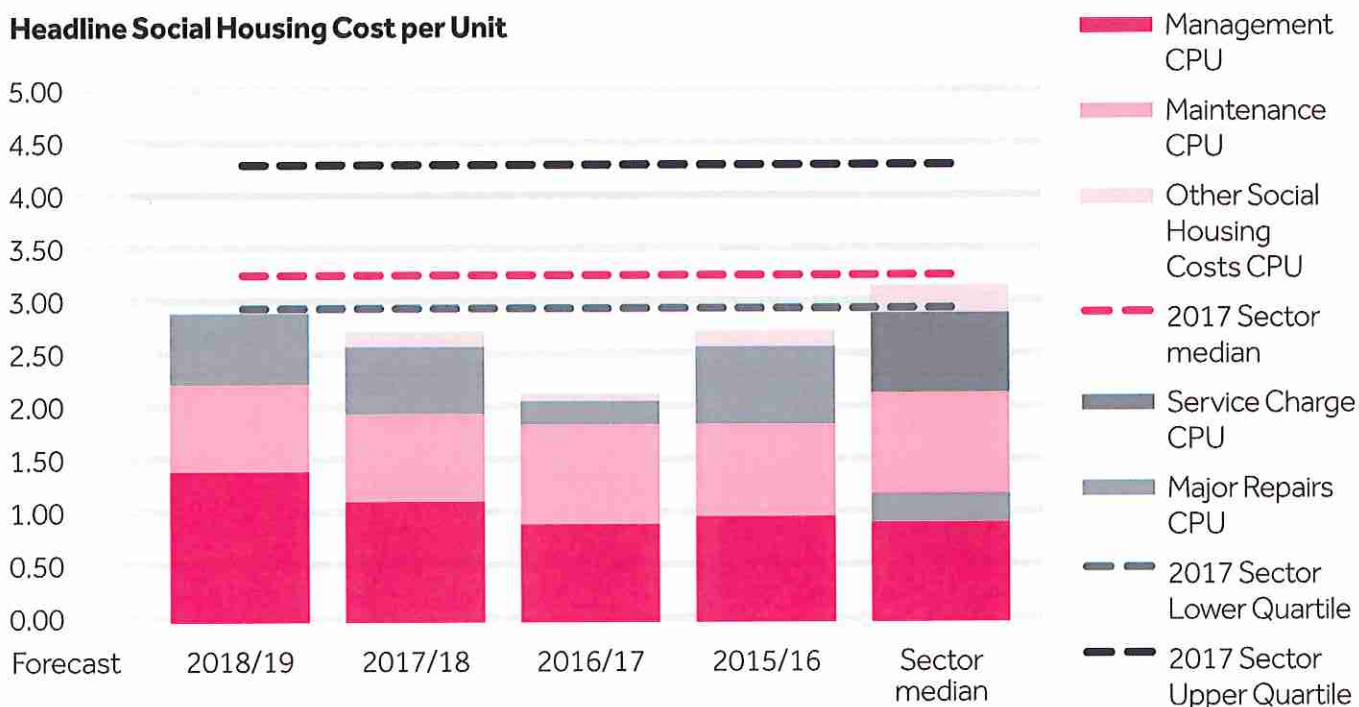
Metric	Type	2019 forecast	2018	2017	2016	2018 performance	Quartiles
Headline social housing cost per unit	TM	£2,911	£2,660	£2,080	£2,680	Lower 😊	Upper £4,330 Median £3,300 Lower £2,930
Management cost per unit		£1,310	£1,050	£920	£980	Upper median 😞	Upper £1,150 Median £940 Lower £740
Maintenance cost per unit		£920	£880	£910	£910	Lower median 😊	Upper £1,110 Median £930 Lower £780
Service charge cost per unit		£10	£10	£10	-	Lower 😊	Upper £600 Median £370 Lower £240
Major Repairs cost per unit		£670	£620	£180	£640	Lower median 😊	Upper £960 Median £680 Lower £490
Other Social Housing Cost per unit		-	£100	£60	£150	Lower 😊	Upper £510 Median £240 Lower £100
Rent collected from current and former tenants as a percentage of the rent due (excluding arrears brought forward)	SS	99.45%	99.14%	99.69%	99.68%	*Lower 😞	Upper 100.21% Median 99.72% Lower 99.23%

As forecast in our 2016/17 Value for Money statement, Livin's headline social housing cost per unit remains low compared to sector averages. The forecast increase in cost per unit was realised during the year; this primarily arises from an increase in management costs reflecting anticipated increases in staff and pension costs. For 2018/19, a further increase in cost per unit is

anticipated, although it is still expected that lower quartile performance will be maintained. Again, the anticipated increase in costs for 2018/19 is primarily within management costs per unit, partly due to inflationary pressures and partly due to contingencies included in order to ensure that the budget is prepared on a prudent basis.

## Value for money

### Headline Social Housing Cost per Unit



Factors contributing to the low overall headline social housing cost per unit, and Livin's continuing lower quartile performance, include:

- An agreed long term contract in place with our repairs and maintenance contractor, delivered to tenants through the Livin Works programme;
- Effective procurement process, which allow procurement costs to be reviewed and challenged on a regular basis;
- Properties which are clustered geographically, reducing the travelling time for housing management and repairs staff; and
- Efficient staffing levels, which allow an appropriate level of service to be delivered.

We forecast continued strong (lower quartile) performance in this area for the foreseeable future.

Performance against **Rent collected from current and former tenants as a percentage of the rent due** has fallen to the lower quartile during the year. The main factor in this is the timing of housing benefit due; the additional amounts outstanding at 31 March 2018, which were received in week 1 of 2018/19, have decreased the rent collection percentage by 0.6% in 2017/18.

Absolute rent arrears have also increased during 2017/18. In common with many other housing providers, increasing numbers of Livin tenants are now in receipt of Universal Credit instead of Housing Benefit, and consequently, we have seen a small increase in rent arrears amongst this tenant group during 2017/18. We anticipate a greater increase in future years; however, to date, we have been able to support tenants in receipt of Universal Credit to maintain a lower level of arrears than the sector average. Providing appropriate rent arrears and financial wellbeing support for all tenants remains a priority.

## Value for money

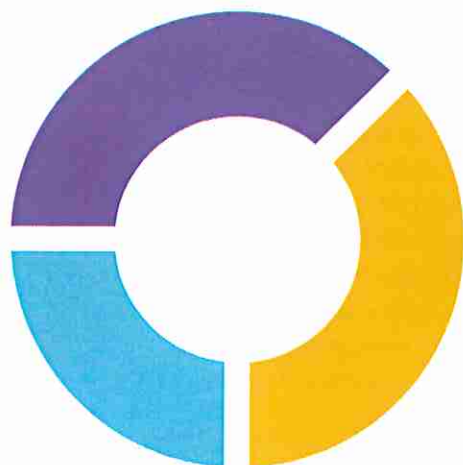
### Overall Performance

Using a score of 1 for best quartile performance and 4 for worst quartile performance, Livin's performance over time is as follows.

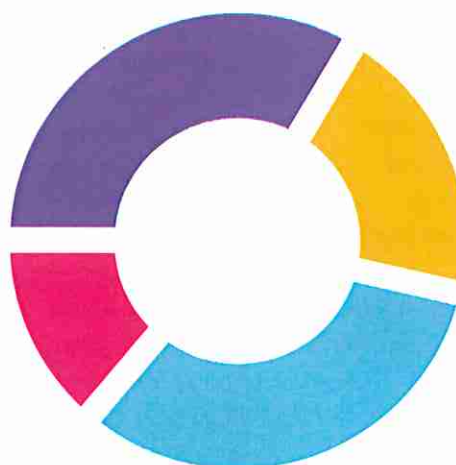
Metric	2018/19 Forecast	2017/18	2016/17	2015/16
Operating Margin (Overall)	4	2	1	2
EBITDA MRI Interest Cover (%)	3	2	2	2
New supply delivered – social housing (%)	2	3	4	3
Gearing (%)	2	3	2	3
Reinvestment %	1	1	2	2
Return on Capital Employed	1	1	1	1
Headline Social Housing Cost per Unit (£)	1	1	1	1
Average for all metrics	2	1.9	1.9	2

An organisation which demonstrates median performance in all measures would show an average performance of 2.5. Livin's overall performance in all years under review is better than this average.

**RSH Technical Metrics:  
2017/18 quartile performance**



**Sector Scorecard Metrics:  
2017/18 quartile performance**



- Top quartile
- Second quartile
- Third quartile
- Fourth quartile

## Value for money

### Plans to address underperformance

Livin's Board has considered those areas where performance against the Value for Money technical metrics, defined by the Regulator of Social Housing, are below median when compared with the sector as a whole. In 2017/18 there are two metrics where performance is below the sector median; these are **New supply delivered – social housing and Gearing**.

Plans are in place to improve performance against the metric **New supply delivered – social housing** to upper median quartile in 2018/19. As set out above, lower performance in this area in 2017/18 reflects the temporary suspension of the development programme in 2015/16 whilst the impact of the 1% rent cut was evaluated. We are making good progress in establishing an appropriate development programme, and we anticipate a continued increase in our delivery of new supply in future years.

The level of **Gearing** is currently close to the sector median. Planned future investment in both regeneration and new developments is forecast to increase Livin's level of gearing in future years. Livin's maximum gearing is currently constrained by its existing loan covenants. The Board is currently exploring refinancing options which would allow financial capacity for future development and regeneration schemes to be unlocked. This would allow Livin to increase gearing levels, making optimum use of its asset base.

### Conclusions

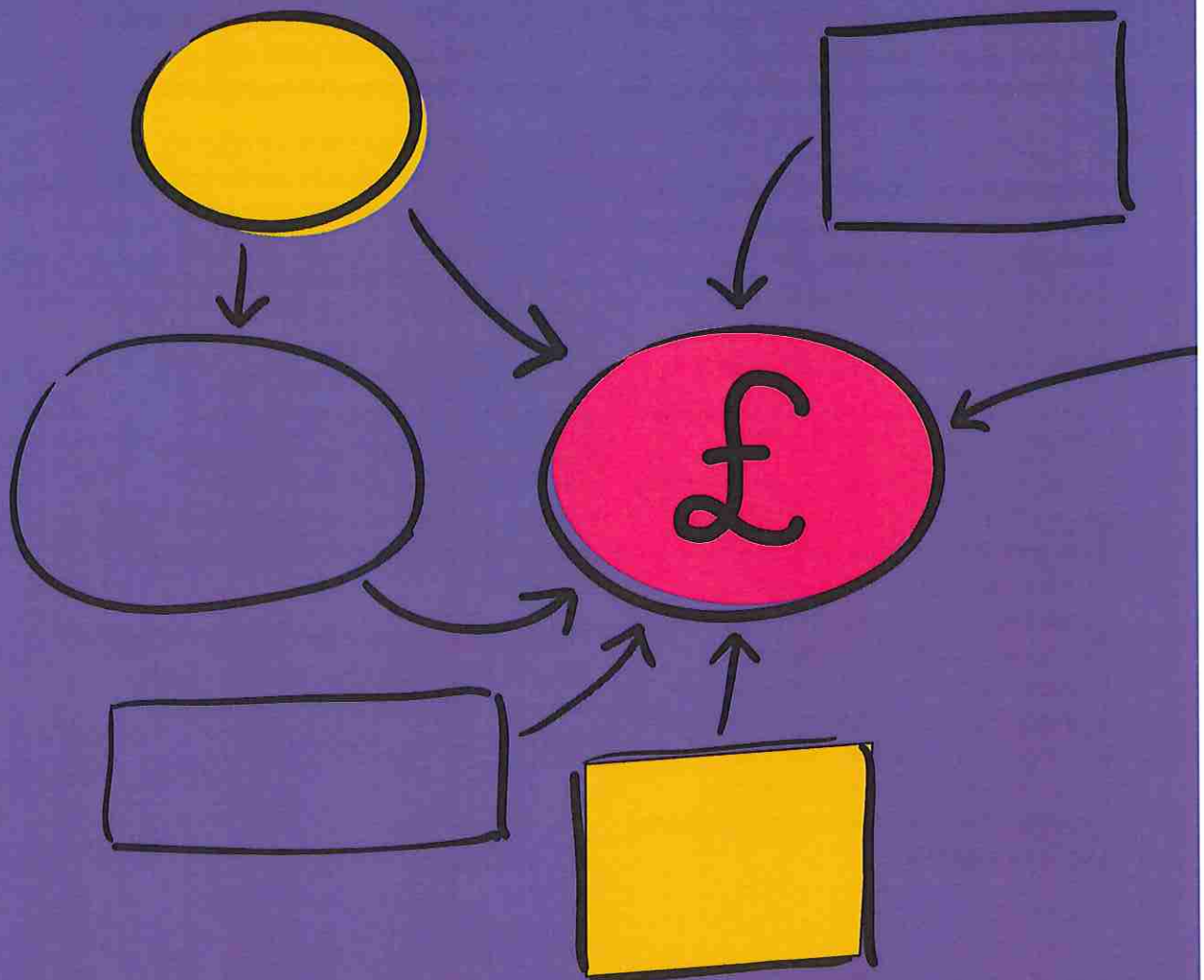
Value for Money is embedded in Livin's culture and governance structure; Livin appreciates that delivering effective and efficient services benefits itself, its customers, and their communities.

Performance in 2017/18 shows a continued commitment to Value for Money. We are able to demonstrate strong performance in comparison with the sector as a whole against the Technical Metrics defined by the Regulator for 2017/18, and have assessed our long term business plans and forecasts in the light of these metrics.

We have identified a small number of areas where there is underperformance in comparison to our peers, defined as performance which is below median against the sector as a whole, and have detailed the measurable plans which are in place to address these areas. We have also detailed the prudent budgeting approach which has led to the Board agreeing two performance targets for 2018/19 at levels below the sector median, and set out the basis on which we expect to out-perform these targets in 2018/19.

The Board is satisfied that Livin's financial plans both provide value for money and focus on delivering services in areas of need.

**Governance -  
regulatory and  
other information**





## Governance - regulatory and other information

### Regulatory Judgement and Financial Viability Review

The Regulator of Social Housing conducted an In Depth Assessment of Livin in July 2016, and a further Stability Check in October 2017. Both of these reviews concluded in the following regulatory judgements on Livin:

**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.

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

### Risks and uncertainties

In accordance with the Regulator of Social Housing's Governance and Financial

Viability Standards, the Board of Livin retains ultimate responsibility for ensuring that an effective risk management framework is in place. Structured reporting processes ensure that the Board receives a quarterly update on key risks facing the organisation, takes risk management considerations into account when making key decisions, and reviews the effectiveness of the risk management framework on an annual basis.

The Audit and Risk Committee take an active role in scrutinising the organisation's Strategic Risk Register, considering the adequacy of the controls in place to manage these risks and the outcomes.

The key strategic risks considered by Livin's Audit and Risk Committee on 1 May 2018 are set out in the table below.

Key risk	Key controls in place, and actions being undertaken
<p><b>1. Development and Acquisitions strategy is not aligned with market demand</b></p>	<p><b>We seek to understand the markets we operate in through:</b></p> <ul style="list-style-type: none"> <li>Option appraisal report on site demographics and housing market drivers added to all development schemes using 3rd party Housing Intelligence</li> <li>Trials of tenure types new to the area, including Shared Ownership and Rent to Buy</li> </ul> <p><b>We monitor our performance through:</b></p> <ul style="list-style-type: none"> <li>Robust financial appraisal on new schemes</li> <li>Board approval of development parameters</li> <li>Regular Board reporting setting out progress on key developments</li> </ul>
<p><b>2. Failure to focus on the customer</b></p>	<p><b>We seek our tenants' views, and look to support them, through:</b></p> <ul style="list-style-type: none"> <li>Customer Experience Strategy</li> <li>Customer Voice Strategy</li> <li>Tenancy visits, which provides additional insight into tenants' needs</li> <li>Pre-tenancy support</li> </ul> <p><b>We monitor our performance through:</b></p> <ul style="list-style-type: none"> <li>Customer satisfaction surveys</li> <li>Complaints</li> <li>Internal audit</li> </ul>

## Governance - regulatory and other information

Key risk	Key controls in place, and actions being undertaken
<p><b>3. Inability to attract and retain highly skilled employees</b></p>	<p><b>We seek to build a constructive “two-way deal” with all staff members, through:</b></p> <ul style="list-style-type: none"> <li>• Employee Strategy</li> <li>• Effective recruitment and talent management</li> <li>• Capacity density measures</li> <li>• Performance appraisal</li> <li>• Learning and development opportunities</li> <li>• Apprenticeships</li> </ul>
<p><b>4. Effective Corporate Governance processes not in place</b></p>	<p><b>Our current control environment includes:</b></p> <ul style="list-style-type: none"> <li>• Annual review of compliance against the Regulator of Social Housing’s regulatory standards, NHF Code of Governance and NHF Code of Conduct</li> <li>• Annual probity report to Board</li> <li>• Structured Board reporting, including robust risk management processes</li> <li>• Annual Statement of Internal Control considered and approved by the Board</li> <li>• Structured programme of internal and external audit, which includes internal</li> </ul>
<p><b>5. Ineffective management of Landlord Health and Safety Obligations</b></p>	<p><b>We monitor our compliance with legislation and best practice through:</b></p> <ul style="list-style-type: none"> <li>• Regular inspections of our properties, including gas safety checks, electrical inspections and monitoring of asbestos materials</li> <li>• Regular inspections of communal areas and flat blocks, including fire safety assessments, undertaken by NEBOSH qualified individuals</li> <li>• Regular re-inspections of a sample of safety checks by third parties, to ensure that the quality of our internal checks remains high</li> </ul> <p><b>The board assures itself of compliance through:</b></p> <ul style="list-style-type: none"> <li>• Regular compliance reports to both the Board and the Audit &amp; Risk Committee</li> <li>• Internal audit reviews and other external reviews of Health and Safety processes</li> </ul>
<p><b>6. Delivery of the Association’s financial business plan not achieved</b></p>	<p><b>Key controls include:</b></p> <ul style="list-style-type: none"> <li>• Robust budgetary processes</li> <li>• External validation of business plan</li> <li>• Robust scrutiny of quarterly management accounts by Audit &amp; Risk Committee as well as by Board</li> <li>• Use of retained Treasury Advisers</li> <li>• Governance framework enabling an effective decision making process</li> </ul>

## Governance - regulatory and other information

Key risk	Key controls in place, and actions being undertaken
<p><b>7. Value for Money not demonstrated or delivered</b></p>	<p><b>We continue to embed VFM across the organisation, through:</b></p> <ul style="list-style-type: none"> <li>• Value for Money objectives within the Business Strategy</li> <li>• Embedding VFM considerations in our procurement and performance management processes</li> </ul> <p><b>We have responded to the Regulator's revised Value for Money Standard by:</b></p> <ul style="list-style-type: none"> <li>• Reviewing and updating our Value for Money processes</li> <li>• Embedding VFM Metrics into our budgeting and business planning processes</li> </ul>
<p><b>8. Inability of organisation to react to the political and economic environment</b></p>	<p><b>Key controls include:</b></p> <ul style="list-style-type: none"> <li>• Plan A Business Strategy</li> <li>• Structured financial planning processes, including short, medium and long term (30 year) financial plans</li> <li>• Use of Business Intelligence information</li> <li>• Robust risk management processes</li> <li>• Stress testing of business plan</li> </ul>
<p><b>9. Supplier unable to deliver required services</b></p>	<p><b>Key controls include:</b></p> <ul style="list-style-type: none"> <li>• Initial checks and ongoing financial monitoring for new and existing suppliers</li> <li>• Business Continuity Plans in place for key contracts</li> <li>• Use of Parent Company Guarantees with major suppliers</li> <li>• Insurance cover</li> </ul>
<p><b>10. Property portfolio does not support a sustainable business or community</b></p>	<p><b>We seek to understand the needs of our business and community through:</b></p> <ul style="list-style-type: none"> <li>• Robust analysis of stock sustainability using NPV and yield calculations</li> </ul> <p><b>We ensure that our findings are acted on through:</b></p> <ul style="list-style-type: none"> <li>• Planned works programme</li> <li>• Community Regeneration Team which oversees proposed regeneration projects</li> <li>• Regular reporting through the Performance Management Framework</li> </ul>
<p><b>11. Lack of funding opportunities to enable socially and economically balanced communities</b></p>	<p><b>We seek to identify appropriate funding through:</b></p> <ul style="list-style-type: none"> <li>• Building a range of partnerships which maximise funding opportunities</li> <li>• Developing Community Plans built on sound business intelligence</li> <li>• Undertaking partnership working with Ministry of Housing, Communities and Local Government</li> <li>• Monitoring the social value we generate</li> </ul>

## Governance - regulatory and other information

Key risk	Key controls in place, and actions being undertaken
<p><b>12. Financial implications of Welfare Reform are not understood and addressed</b></p>	<p><b>We closely monitor the impact of Welfare Reform across our communities, including:</b></p> <ul style="list-style-type: none"> <li>• Monitoring and analysing trends in rent arrears, particularly in those areas which have moved on to Full Service Universal Credit</li> <li>• Working closely with DCC and other local bodies to understand and address emerging risks and support needs</li> </ul> <p><b>Our support offer to tenants includes:</b></p> <ul style="list-style-type: none"> <li>• Specialist staff able to provide welfare benefits and debt advice</li> <li>• Pre-tenancy support to help prospective tenants understand whether they can afford a tenancy</li> <li>• Targeted campaigns providing intervention and support for tenants at risk</li> </ul>
<p><b>13. High levels of tenancy turnover</b></p>	<p><b>Key controls include:</b></p> <ul style="list-style-type: none"> <li>• Taking the Customer Voice into account in our work</li> <li>• Visiting all vulnerable tenants annually, allowing us to identify and address concerns at an early stage</li> <li>• Working closely with applicants and new tenants to help them sustain their tenancies</li> <li>• Regular Monitoring of Tenancy Turnover and reasons for termination</li> </ul>

Following the fire at Grenfell Tower, and in response to the advice issued through both the Department for Communities and Local Government and the Hackitt Review into building regulations and fire safety, Livin carried out a detailed review of fire safety arrangements in its multi-occupancy buildings, in addition to routine annual fire safety checks. This work is monitored by the Board through the risk "Ineffective management of landlord health and safety obligations". None of Livin's buildings are considered to present a high risk, and the Association has not used aluminium composite cladding of the type used at Grenfell Tower. However, where Livin identifies measures which can further reduce the risk to tenants, we take the opportunity to do so.

### 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 by closely monitoring the arrears of self-funding tenants. The Association borrows and lends only in sterling and so is not exposed to foreign currency exchange rate risk.

### Going concern

The Association's business activities, its current financial position and factors likely to affect its future development are set out within this Strategic Report. The Association has in place long-term debt facilities (including £24.6 million of undrawn facilities at 31 March 2018), which provide adequate resources to

## Governance - regulatory and other information

finance committed property acquisitions and development programmes, along with the Association's day to day operations. The Association's ability to service these debt facilities and comply with lenders' covenants is monitored through cashflow forecasts, quarterly budget reports to the Finance and Development Committee (previously reported to Audit and Risk Committee) and Board, and the long-term business plan. Recent reports confirmed that the Association was in compliance with its loan covenants at the Statement of Financial Position date and the Board expects to remain compliant in the foreseeable future.

Therefore, 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 overall 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 2017 up to the date of approval of the report and financial statements.

Key elements of the control framework include:

- Adoption of and compliance with the NHF Code of Governance: Promoting Excellence in Governance (2015 Edition).
- Forward planning of key meeting dates and reporting requirements which are reviewed annually.
- Board approved terms of reference and delegated authorities for the Audit and Risk, Housing and Communities, Assets and Development and Human Resources and Remuneration Committees. In March 2018 Board reviewed the Committee structure which resulted in a Housing and Assets Committee replacing the Housing and Communities Committee and a Finance and Development Committee replacing the Assets and Development Committee.
- Board approved detailed financial regulations, and a scheme of delegation for the Chief Executive and Executive Directors.
- Clearly defined management responsibilities for the identification, assessment, ownership and management and 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.
- Business continuity arrangements including planning and testing.
- Established authorisation and appraisal procedures for significant new initiatives and commitments.

## Governance - regulatory and other information

- A strategic 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 policy.
- Audit and Risk Committee approved anti-fraud and corruption 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 identified frauds.

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.

Internal Audit arrangements continued to work well. The recommendations made on all reports have been reviewed and an action plan has been established to ensure they are all implemented. Internal audit work was carried out by Pricewaterhouse Coopers LLP (PwC) during the year. Their work not only focuses on reviewing controls and risks but also on adding value and making best practice recommendations.

### National Housing Federation (NHF) Code of Governance

Livin has adopted the NHF's Code of Governance: Promoting Excellence in Governance (2015 Edition), and considers compliance against this Code annually. This fulfils the requirement of the Regulator of Social Housing's Governance and Financial Viability Standard to "adopt and comply with an appropriate code of governance". In addition, Livin has adopted the NHF Code of Conduct 2012, and again considers compliance against this Code on an annual basis.

One area of non-compliance with the Code of Governance has arisen during the year. Section D2 of the Code of Governance establishes a nine year maximum term for Board members. Livin's Chair, Ian Youll, was first appointed in March 2009, and is due to retire from the Board at the AGM in September 2018, giving a total term of service of nine years and six months.

In 2016/17 Livin reviewed the composition of its Board, making significant changes to membership throughout the year. Board agreed, after seeking external professional advice, that it would be appropriate to extend Ian Youll's appointment as Board Chair for an additional six months beyond the maximum term of service expressed within the Code of Governance, ending at the September 2018 AGM.

The Board has identified a successor Chair who will be formally appointed at the September 2018 AGM. From this point, all Board members will be compliant with the maximum service requirements.

Other than in this area, the Board considers that it is compliant with these Codes at the date of signature of these financial statements.

## Governance - regulatory and other information

Legislation passed in November 2017, the Regulation of Social Housing (Influence of Local Authorities) (England) Regulations 2017, restricted the ability of local authorities to hold Board membership and shareholding membership within registered providers such as Livin. Under the original transfer agreement, Durham County Council's shareholding membership was 33 1/3% of the shareholder voting rights in Livin; such arrangements are not permitted under the new legislation.

Livin's Board agreed, in consultation with Durham County Council, to amend its Rules in order to restructure the shareholding and Board membership in compliance with the new regulations. Revised rules were approved by the shareholders on 8 May 2018 and registered with the Financial Conduct Authority. These Rules are based on the NHF's 2015 Model Rules and do not apportion any specific rights to Durham County Council. Although this formal relationship has now ended, it is the Board's intention to continue working closely with Durham County Council in future.

Operational changes resulted in the need for Livin's Board to consider the Committee structure during the year, and in March 2018 the Board approved the following changes;

Asset & Development Committee was replaced with a new Finance and Development Committee and the Housing and Communities Committee was replaced by the Housing and Assets Committee. All Schemes of Delegation and Standing Orders were amended accordingly.

Livin continues to remunerate Board Members in accordance with its constitutional powers and probity arrangements, and periodically obtains

independent advice on our remuneration levels, to ensure that these appropriately reflect the responsibilities of the Board. Remuneration levels were independently reviewed in September 2016.

Appraisal of Board Members forms a part of our regular governance processes and is independently facilitated. This assists in ensuring an appropriate development plan for members and also in ensuring that the business has an appropriately skilled Board to manage the business it conducts.

### **Compliance with the Regulator of Social Housing Standard: Governance and Financial Viability**

The Board considers the adequacy of its governance arrangements on an ongoing basis, and specifically considered its compliance with the Governance and Financial Viability Standard at its meeting on 19 July 2018. The Board has concluded that the organisation complies with the standard.

### **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, including FRS 102. 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 or deficit of the Association for that period.

## Governance - regulatory and other information

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) for 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 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 2015. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for 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 2018 at Livin's headquarters in 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 4, 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 September 2017, Beever and Struthers were appointed as auditors on a three year contract, with an optional two year extension.

### Statement of compliance

In preparing this Strategic Report and Board report, the Board has followed the principles set out in the SORP 2014.

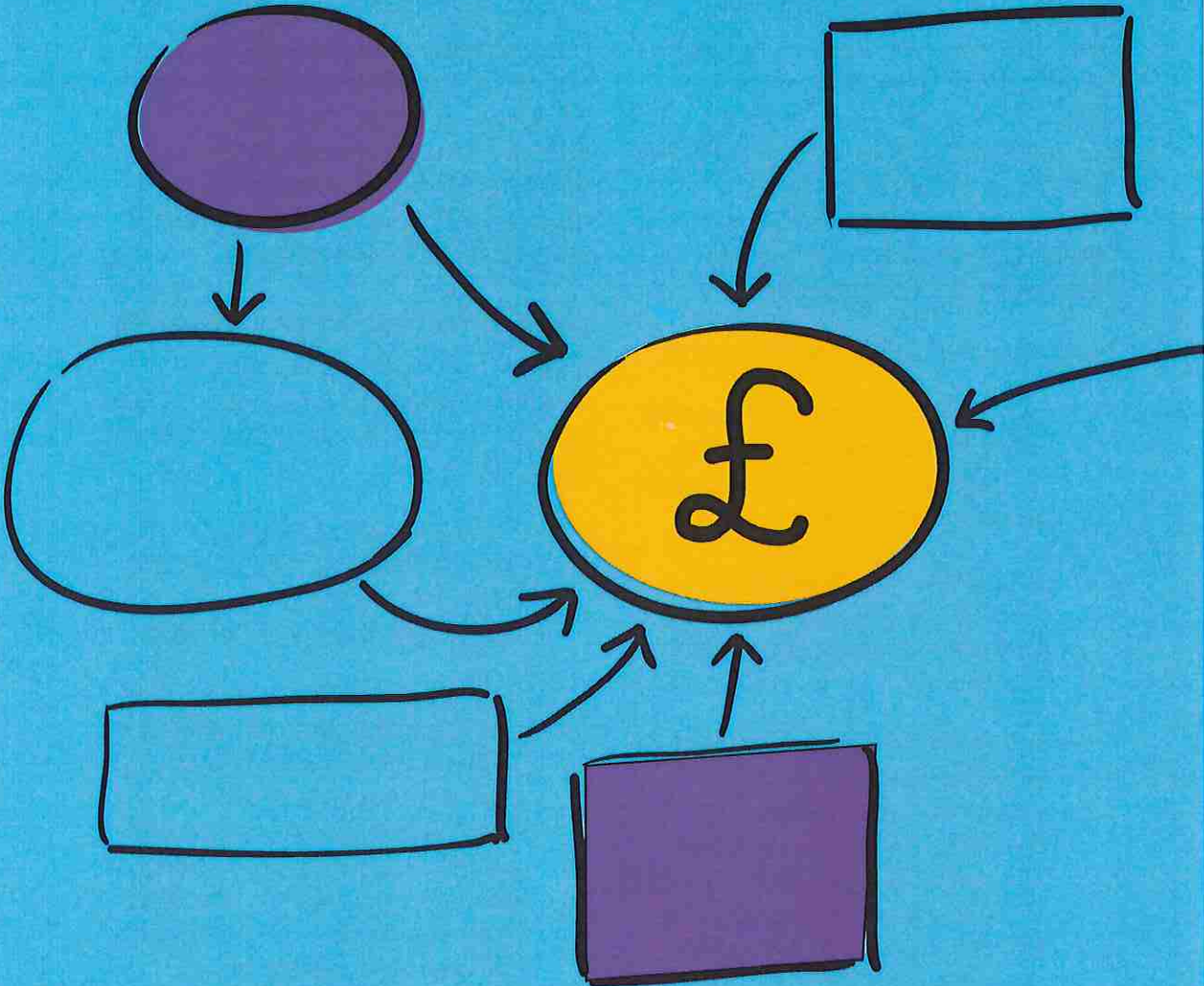
The Strategic and Board report was approved by the Board on 18 September 2018 and signed on its behalf by:



**Ian Youll**  
Chair



# Financial statements



## Financial statements

### Independent Auditor's Report to the Members of Livin Housing Limited

#### Opinion

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

In our opinion, the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 March 2018 and of its 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 Cooperative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

#### Basis for opinion

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

#### Conclusions relating to going concern

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

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

## Financial statements

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Cooperative and Community Benefit Societies Act 2014

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report of the Board and Financial Review for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

### Responsibilities of the Board

As explained more fully in the Statement of the Responsibilities of the Board set out on page 39-40, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Financial statements

### **Auditor's responsibilities for the audit of the financial statements**

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Use of our report**

This report is made solely to the association's members, as a body, in accordance with section 87(2) of the Cooperative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body for our audit work, for this report, or for the opinions we have formed.

*Beever and Struthers*

Beever and Struthers, Statutory Auditor  
St George's House  
215/219 Chester Road  
Manchester  
M15 4JE

Date: *24/9/18*

## Financial statements

	Note	2018 £'000	2017 £'000
<b>Turnover</b>	3	<b>34,551</b>	<b>34,758</b>
Operating costs	3	(23,699)	(21,437)
<b>Operating surplus (before housing sales)</b>		<b>10,852</b>	<b>13,321</b>
Gain on disposal of property, plant and equipment	6	535	285
<b>Operating surplus</b>		<b>11,387</b>	<b>13,606</b>
Interest receivable and other income	7	289	402
Interest payable and similar charges	8	(5,153)	(4,746)
<b>Surplus on ordinary activities before taxation</b>		<b>6,523</b>	<b>9,262</b>
Tax on ordinary activities		-	-
<b>Surplus for the year</b>		<b>6,523</b>	<b>9,262</b>
Actuarial (loss) in respect of pension schemes	9	(300)	(2,980)
Unrealised (loss) on the revaluation of investment properties	14	(184)	(16)
<b>Total comprehensive income for the financial year</b>		<b>6,039</b>	<b>6,266</b>

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 Statement of Comprehensive Income account.

The financial statements were approved and authorised for issue by the Board of Directors on 18 September 2018 and were signed on its behalf by:

  
**Alan Fletcher**  
 Vice chair

  
**Oliver Colling**  
 Board member

  
**Sean Brodie**  
 Secretary

## Financial statements

	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2016	36,333	6,928	43,261
Transfer between reserves	13	(13)	-
Actuarial loss on pension scheme	(2,980)	-	(2,980)
Surplus for the year	9,262	(16)	9,246
<b>Balance as at 31 March 2017</b>	<b>42,628</b>	<b>6,899</b>	<b>49,527</b>
Transfer between reserves	61	(61)	-
Actuarial loss on pension scheme	(300)	-	(300)
Surplus for the year	6,523	(184)	6,339
<b>Balance as at 31 March 2018</b>	<b>48,912</b>	<b>6,654</b>	<b>55,566</b>

The accompanying notes form part of these financial statements.

*[Faint signature]*

# Financial statements

	Note	2018 £'000	2017 £'000
<b>Tangible fixed assets</b>			
Housing properties	11	120,197	116,300
Other tangible fixed assets	12	3,793	3,917
Investments	13	4	4
Investment Properties	14	7,650	7,744
		<b>131,644</b>	<b>127,965</b>
<b>Current assets</b>			
Stock	15	74	-
Debtors	16	2,671	1,696
Cash at bank and in hand		8,423	3,153
		<b>11,168</b>	<b>4,849</b>
<b>Creditors: Amounts falling due within one year</b>	17	<b>(6,184)</b>	<b>(5,520)</b>
<b>Net current assets / (liabilities)</b>		<b>4,984</b>	<b>(671)</b>
<b>Total assets less current liabilities</b>		<b>136,628</b>	<b>127,294</b>
<b>Creditors:</b>			
Amounts falling due after more than one year	20	74,222	72,107
<b>Provisions for liabilities</b>			
Defined benefit pension liability	9	6,840	5,660
		<b>81,062</b>	<b>77,767</b>
<b>Capital and reserves</b>			
Income and expenditure reserve		48,912	42,628
Revaluation reserve		6,654	6,899
<b>Total Reserves</b>		<b>55,566</b>	<b>49,527</b>
		<b>136,628</b>	<b>127,294</b>

The financial statements were approved and authorised for issue by the Board of Directors on 18 September 2018 and were signed on its behalf by:

  
**Alan Fletcher**  
 Vice chair

  
**Oliver Colling**  
 Board member

  
**Sean Brodie**  
 Secretary

The accompanying notes form part of these financial statements.

## Financial statements

	Note	2018 £'000	2017 £'000
<b>Net cash generated from operating activities</b>	25	<b>16,227</b>	<b>18,970</b>
<b>Cash flow from investing activities</b>			
Purchase and refurbishment of tangible fixed assets		(10,903)	(9,489)
Proceeds from sale of tangible fixed assets		2,451	1,590
Grants received		2,380	808
Interest received		8	13
		<b>(6,064)</b>	<b>(7,078)</b>
<b>Cash flow from financing activities</b>			
Interest paid		(4,893)	(4,824)
New secured loans		-	500
Repayments of borrowings		-	(8,000)
		<b>(4,893)</b>	<b>(12,324)</b>
<b>Net change in cash and cash equivalents</b>		<b>5,270</b>	<b>(432)</b>
<b>Cash and cash equivalents at beginning of the year</b>		<b>3,153</b>	<b>3,585</b>
<b>Cash and cash equivalents at end of the year</b>		<b>8,423</b>	<b>3,153</b>

The accompanying notes form part of these financial statements.

*2018-2017*



## Financial statements

### 1 Legal status

The Association is registered in England under the Co-operative and Community Benefit Societies Act 2014 and is a registered provider of social housing. The registered office is Farrell House, Arlington Way, DurhamGate, Spennymoor, County Durham, DL16 6NL.

Livin owns 100% of the ordinary share capital (£1) of Livin Developments Limited (Registered Company No: 10474352). This subsidiary did not trade during the year and was dormant at 31 March 2018.

### 2 Accounting Policies

#### Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015.

The financial statements are presented in Sterling (£) and are rounded to the nearest thousand (£000).

The Association is a Public Benefit Entity (PBE) and has applied the provisions for FRS102 specifically applicable to PBEs.

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.

#### Going Concern

The Association's business activities, its current financial position and factors likely to affect its future development are set

out within the Strategic Report. 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.

#### Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates.

Significant management judgements include:

#### Financial Instruments

Livin Housing Limited has put in place Facility Agreements with a portfolio of lenders, for the purposes of funding its stock improvement and new development programmes.

The Association has accounted for these loan instruments on the amortised cost basis.

#### Impairment

From 1 April 2016 Livin has reduced social housing rents by one per cent per annum and will continue to do so until 2019/20 in accordance with the Welfare Reform and Work Act 2016. Despite cost efficiency savings and other business changes,

## Financial statements

compliance with the new rent regime has resulted in a loss of net income for certain social housing property. This was a trigger for impairment.

As a result, we estimated the recoverable amount of housing properties as follows:

- (a) Determined the level at which the recoverable amount is to be assessed (i.e. the asset level or cash generating unit level (CGU)). The CGU level was determined to be an individual scheme.
- (b) Estimated the recoverable amount of the CGU
- (c) Calculated the carrying amount of the CGU
- (d) Compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculate the Depreciated Replacement Cost (DRC) of each social housing property scheme, using appropriate construction costs and land prices. Where the DRC is less than the carrying amount of each scheme, an impairment provision is made.

### Estimation Uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

### Useful life of depreciable assets

Management reviews its estimate of useful economic lives of depreciable assets at each reporting date. Uncertainties in these estimates may relate to changes in technology and decent homes standards which may impact on the depreciation rate used.

### LGPS - Defined Benefit Obligation (DBO)

The actuaries' estimate of the DBO is based on a number of critical underlying assumptions such as standard rates of inflation, mortality, discount rate and anticipation of future salary increases. Variation in these assumptions may significantly impact the DBO amount and the annual defined benefit expenses (as analysed in note 9).

### Fair value measurement

Livin carries its investment property at fair value, with changes in fair value being recognised in the Statement of Comprehensive Income. Management uses valuation techniques to determine the fair value of investment properties (where active market valuations are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the asset. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

### **Investment in subsidiaries**

Investments in subsidiaries are accounted for at cost less impairment.

### **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, amortised capital grant, revenue grant received from Homes England and local authorities, income from shared ownership first tranche sales and other properties developed for outright sale and income from any other goods or services included at invoiced

## Financial statements

value (excluding VAT where recoverable) and commission on water rates collection.

### Revenue Recognition

Rental income is recognised from the point when properties under development reach practical completion or otherwise become available for letting, net of any voids. 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 recognised when the conditions for receipt of agreed grant funding have been met.

### Service Charges

Service charge income and costs are recognised on an accruals basis. Livin operates variable service charges on a scheme by scheme basis in full consultation with residents. The charges include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years. Until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

### Social Housing Grant

Social Housing Grant (SHG) includes grant receivable from the Homes England, local authorities and other government organisations.

Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its

individual components (excluding land), under the accruals model.

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

SHG received in respect of revenue expenditure is recognised as turnover in the same period as the expenditure to which it relates, once reasonable assurance has been given that Livin will comply with the conditions and that the funds will be received.

If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in the Statement of Comprehensive Income.

SHG is subordinated to the repayment of loans by agreement with the RSH. 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 Statement of Financial Position 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 Statement of Comprehensive Income. Upon disposal of the associated property, the Association is required to recycle these proceeds, as such a contingent liability is disclosed to reflect this.

## Financial statements

### Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the association is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

### Website development costs

The Association has developed an app and 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. Ongoing costs of maintaining and operating the app and website are also charged as operating costs as incurred.

### Housing Properties and Other Fixed Assets

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing Properties are principally available for rent and are stated at cost less accumulated depreciation and impairment losses. 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 properties 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 properties, therefore 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. The remaining element is classed as a fixed asset and included in housing properties 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 Statement of Comprehensive Income 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

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

## Financial statements

### Assets under construction

Housing properties under construction are stated at cost. Cost includes the cost of acquiring land and buildings, development costs, and expenditure incurred in respect of improvements.

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.

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

Fixed Asset Classification	Asset Life
Existing Structure	50 years
Kitchens	20 years
Bathrooms	30 years
Central Heating	20 years
Roofing and External Works	up to 50 years
Rewiring Works	30 years
Doors and Windows	40 years

### Other Fixed Assets

Office Equipment and Furniture	5 years
Computer Equipment	3 years
Offices	50 years

### Impairment

Housing properties are assessed annually for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing

the asset's carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed the recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based on its service potential. The resulting impairment loss is recognised as operating expenditure. Where an asset is currently deemed not to be providing service potential to the association, its recoverable amount is its fair value less costs to sell.

### 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 sales and properties under construction are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

### Provision for liabilities

Provisions are recognised when the Association has a present obligation (legal or constructive) as a result of a past event, it is probable that the Association will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

## Financial statements

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at the present value using a pre-tax discount rate. The unwinding of the discount is recognised as finance cost in the Statement of Comprehensive Income in the period it arises.

A provision is recognised for annual leave accrued by employees as a result of services rendered in the current period, and which employees are entitled to carry forward and use within the next 12 months. The provision is measured at the salary cost payable for the period of absence.

### Fixed Asset Investments

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in the Statement of Comprehensive Income.

### 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 Statement of Financial Position. 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 other comprehensive income.

### Rental arrears

A provision for bad and doubtful debts is made on an estimation of those debts at the Statement of Financial Position 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 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 contract was for a fixed sum of £248.694m equal to the expected costs of the work. At transfer, the

## Financial statements

Association contracted with the Council to acquire the benefit of the Council's obligation to carry out the refurbishment works.

### Right to Buy and Right to Acquire Sales

The gains or losses on disposal of Social Housing Properties under Right to Buy or Right to Acquire 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 or Right to Acquire Social Housing Properties are recognised in the Statement of Comprehensive Income 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.

### Financial Instruments

Financial Instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model.

Basic Financial instruments are recognised at amortised historic cost.

### Debtors

Short term debtors are measured at transaction price less any impairment.

### Creditors

Short term creditors are measured at the transaction price.

### Annual Leave Accrual

A liability is recognised to the extent of 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.

### 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 Part 11 Corporation Tax Act 2010 and from capital gains tax by virtue of Section 256 Taxation of Chargeable Gains Act 1992.

### Reserves

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

### Revaluation Reserve

The difference on transition between the fair value of investment properties and the historical cost carrying value is credited to the revaluation reserve.

## Financial statements

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

	2018 Turnover	Operating costs	Operating surplus
	£ '000	£ '000	£ '000
<b>Social housing lettings</b>	32,872	(23,184)	9,688
<b>Other social housing activities</b>			
Garage lettings	641	(215)	426
Big lottery project	148	(170)	(22)
ESF Project	68	(68)	-
<b>Non-social housing activities</b>			
Lettings	251	(62)	189
Other Income	571	-	571
	34,551	(23,699)	10,852

	2017 Turnover	Operating costs	Operating surplus
	£ '000	£ '000	£ '000
<b>Social housing lettings</b>	33,305	(20,827)	12,478
<b>Other social housing activities</b>			
Garage lettings	636	(316)	320
Big lottery project	144	(158)	(14)
<b>Non-social housing activities</b>			
Lettings	262	(136)	126
Other Income	411	-	411
	34,758	(21,437)	13,321



## Financial statements

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

	General needs housing £'000	Housing for elderly £'000	2018 Total £'000	2017 Total £'000
Rent receivable net of identifiable service charges	21,493	11,152	32,645	33,089
Service income	41	29	70	65
Net rental income	21,534	11,181	32,715	33,154
Other income (grant amortisation)	104	53	157	151
<b>Turnover from social housing lettings</b>	<b>21,638</b>	<b>11,234</b>	<b>32,872</b>	<b>33,305</b>
Management and support services	(5,587)	(3,212)	(8,799)	(7,675)
Service charge cost	(48)	(35)	(83)	(76)
Routine maintenance	(4,412)	(2,489)	(6,901)	(6,599)
Planned maintenance	(312)	(171)	(483)	(288)
Major repairs expenditure	(1,304)	(50)	(1,354)	(736)
Bad debts	(84)	(46)	(130)	(142)
Depreciation of housing properties	(3,233)	(1,767)	(5,000)	(4,775)
Impairment	-	(82)	(82)	-
Payment to DCC (VAT sharing agreement)	(170)	(94)	(264)	(387)
Other costs	(56)	(32)	(88)	(149)
<b>Operating costs on social housing lettings</b>	<b>(15,206)</b>	<b>(7,978)</b>	<b>(23,184)</b>	<b>(20,827)</b>
<b>Operating surplus on social housing lettings</b>	<b>6,432</b>	<b>3,256</b>	<b>9,688</b>	<b>12,478</b>
Void losses	662	122	784	873

#### Particulars of turnover from non-social housing lettings

	2018 £'000	2017 £'000
Commercial properties	204	198
Other	47	64
	251	262

## Financial statements

### 4 Accommodation in management and development

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

	2018 No	2017 No
<b>Social housing</b>		
General housing		
- social rent	4,598	4,709
- housing for older people	2,641	2,665
- affordable rent	1,123	997
- shared ownership	4	2
- rent to buy	10	-
<b>Total owned and managed</b>	<b>8,376</b>	<b>8,373</b>

### 5 Operating surplus

The operating surplus is arrived at after charging:

	2018 £ '000	2017 £ '000
Depreciation of housing properties	4,886	4,348
Depreciation of other tangible fixed assets	124	427
Impairment of social housing assets	82	-
Impairment of other investments	-	7
Gain on disposal of property, plant and equipment	535	285
Operating lease rentals		
- land and buildings	10	12
- office equipment and computers	55	58
- motor vehicles	30	37
Auditors' remuneration (excluding VAT)		
- for audit services	18	21
- tax compliance services	-	10
- other services	3	3
Total non-audit services	3	13

## Financial statements

### 6 Gain on disposal of property, plant and equipment

	RTB/RTA £ '000	Other Sales £ '000	Demolitions £ '000	2018 Total £ '000	2017 Total £ '000
Disposal proceeds	1,584	1,265	-	2,849	2,162
Less administration charges	(83)	-	-	(83)	(77)
Less amount payable to Durham County Council	(340)	-	-	(340)	(509)
Net disposal proceeds	<b>1,161</b>	<b>1,265</b>	<b>-</b>	<b>2,426</b>	<b>1,576</b>
Carrying value of fixed assets	(384)	(1,494)	(9)	(1,887)	(903)
Grant attributable to disposal	3	70	-	73	4
Costs attributable with the disposal	-	(7)	-	(7)	-
	780	(166)	(9)	605	677
Recycled Capital Grant Fund	-	(70)	-	(70)	-
Disposal Proceeds Fund (note 21)	-	-	-	-	(392)
	<b>780</b>	<b>(236)</b>	<b>(9)</b>	<b>535</b>	<b>285</b>

Included in Other Housing Sales above is a loss on disposal relating to Livin's regeneration scheme at York Hill totalling £235,583 (2017 £nil).

### 7 Interest receivable and other income

	2018 £ '000	2017 £ '000
Interest receivable	8	13
VAT shelter income	265	387
Other income	16	2
	289	402

### 8 Interest payable and similar charges

	2018 £ '000	2017 £ '000
Loans and bank overdrafts	5,003	4,686
Interest costs for pension scheme	150	60
	5,153	4,746

## Financial statements

### 9 Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37 hours):

	2018 No.	2017 No.
Administration	50	35
Property and Development	32	30
Housing, Support and Care	44	53
	126	118

Employee costs:	2018 £ '000	2017 £ '000
Wages and salaries	4,230	4,183
Social security costs	424	399
Other pension costs	747	391
	5,401	4,973

Included in Employee costs are early retirement and voluntary redundancy costs totalling £253,278 (2017 £34,577). 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 2016 and rolled forward, allowing for different financial assumptions required under FRS 17, to 31 March 2018 by a qualified independent actuary.

The employers' contributions to the DCCPF by the Association for the year ended 31 March 2018 were £747,026 (2017 £390,795) at a contribution rate of 11% of pensionable salaries.

Estimated employers' contributions to the DCCPF during the accounting period commencing 1 April 2018 are £1,300,000.

## Financial statements

### 9 Employees (continued)

#### Financial assumptions

	31 March 2018 % per annum	31 March 2017 % per annum
Discount rate	2.6%	2.6%
Future salary increases	3.5%	3.5%
Future pension increases	2.0%	2.0%
Pension accounts revaluation rate	2.0%	2.0%
Inflation assumption - RPI	3.1%	3.1%
Inflation assumption - CPI	2.0%	2.0%

#### 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.

	2018 No. of Years	2017 No. of Years
The assumed life expectations on retirement at age 65:		
Retiring today:		
- Males	23.3	23.2
- Females	25.0	24.9
Retiring in 20 years:		
- Males	25.5	25.4
- Females	27.3	27.2

#### Analysis of the amount recognised in surplus or deficit:

##### Year ended 31 March

	2018 £'000	2017 £'000
Current service cost	1,250	890
Past service cost	-	-
Amounts charged to operating costs	1,250	890

##### Year ended 31 March

	2018 £'000	2017 £'000
Net Interest	150	60
Amounts charged to other finance costs	150	60
Remeasurement loss recognised on defined benefit pension scheme	(300)	(2,980)
Actual return on scheme assets	670	3,220

#### Amounts recognised in the statement of financial position

##### Net pension (liability) at 31 March

	2018 £'000	2017 £'000
Present value of funded obligation	(39,350)	(37,240)
Fair value of scheme assets (bid value)	32,510	31,580
<b>Net (liability) recognised in statement of financial position</b>	<b>(6,840)</b>	<b>(5,660)</b>

## Financial statements

### 9 Employees (continued)

#### Reconciliation of opening and closing balances of the present value of scheme liabilities

	2018 £'000	2017 £'000
Opening scheme liabilities	(37,240)	(30,030)
Current service cost	(1,250)	(890)
Past service cost	-	-
Interest cost	(970)	(1,050)
Contributions by scheme participants	(270)	(250)
Remeasurements	(150)	(5,210)
Benefits paid	530	190
Closing scheme liabilities	(39,350)	(37,240)

#### Reconciliation of opening and closing balances of the fair value of scheme assets

	2018 £'000	2017 £'000
Opening fair value of scheme assets	31,580	27,910
Remeasurements	(150)	2,230
Interest income	820	990
Contributions by employer	520	390
Contributions by scheme participants	270	250
Benefits paid	(530)	(190)
Closing fair value of scheme assets	32,510	31,580

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

Equities	50.0%	47.2%
Gilts	29.4%	32.5%
Bonds	8.9%	8.2%
Property	6.9%	7.5%
Cash	4.8%	4.6%

#### History of asset values, present value of liabilities and (deficit) / surplus

	Year ended 31 March 2018 £'000	Year ended 31 March 2017 £'000
Fair value of assets	32,510	31,580
Present value of liabilities	(39,350)	(37,240)
(Deficit) / Surplus	(6,840)	(5,660)

	2018 £'000	2017 £'000
<b>Actual return on scheme assets</b>	670	3,220

## Financial statements

### 10 Key management personnel

	Basic salary	Benefits in kind	Pension Contributions	Total 2018 £'000	Total 2017 £'000
Board Members	56	-	-	56	45
Executive Directors	495		60	555	480

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

	2018 No. of employees	2017 No. of employees
£60,001 and £70,000	2	3
£70,001 and £80,000	3	1
£100,001 and £110,000	2	3
£120,001 and £130,000	-	1
£140,001 and £150,000	2	-
	9	8

#### Individual Board Members levels of remuneration

	2018 £'000	2017 £'000
Ian Youll (Chair)	13	12
Adele Barnett	7	6
Alan Fletcher	7	6
Ian Gillespie (until 5 July 2016)	-	1
Jonathan Hitchen (until 21 September 2016)	-	1
Andrew Lowery (until 21 September 2016)	-	1
Angela Rowlands (until 21 September 2016)	-	1
Oliver Colling	6	6
Dennis Bradley	6	3
David Walton	5	2
Norman Rollo	7	4
Ian Geldard (until 11 May 2017)	-	2
Charlotte Harrison	5	-
	56	45

The highest paid Director was the Chief Executive. Their emoluments including an adjustment for FRS 102 annual leave accrual, but excluding pension contributions, were £141,669 (2017 £126,325).

The aggregate amount of compensation payable to Directors in relation to loss of office for the period was £36,278 (2017 £nil).

The Chief Executive is a member of the Durham County Council Pension Fund. The pension contributions made during the period were £17,042 (2017 £13,073).

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 2018 was 4 (2017: 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 0.2% (2017 0.1%).

## Financial statements

### 11 Tangible fixed assets – properties

	Social housing properties held for letting £'000	Non-social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed Shared Ownership Housing properties £'000	Total housing properties £'000
<b>Cost</b>					
At 1 April 2017	135,931	298	9,110	46	145,385
Additions	5,359	-	2,305	137	7,801
Works to existing homes	2,951	-	-	-	2,951
Schemes completed	8,744	-	(8,744)	-	-
Disposals	(2,107)	-	-	-	(2,107)
At 31 March 2018	150,878	298	2,671	183	154,030
<b>Depreciation and impairment</b>					
At 1 April 2017	(29,005)	(80)	-	-	(29,085)
Charged in year	(4,886)	-	-	-	(4,886)
Impairment	(82)	-	-	-	(82)
On disposals	220	-	-	-	220
At 31 March 2018	(33,753)	(80)	-	-	(33,833)
<b>Net Book Value</b>					
<b>At 31 March 2018</b>	117,125	218	2,671	183	120,197
<b>At 31 March 2017</b>	106,926	218	9,110	46	116,300

The carrying value of assets with restricted title or pledged as security is £117.125m (2017:£106.926m)

#### Expenditure on works to existing homes

	2018 £'000	2017 £'000
Amounts capitalised as components	2,951	1,209
Amounts included in housing properties for letting under construction	903	4,927
Amounts charged to the income and expenditure account	1,354	736
	5,208	6,872

#### Housing properties book value, net of depreciation and grants Impairment

Livin considers individual schemes to be separate Income Generating Properties when assessing for impairment, in accordance with the requirements of Financial Reporting 102 and SORP 2014. An impairment charge of £82,102 (2017: £nil) has been made this year in relation to 32 properties identified for demolition at Clarence Green and Travellers Green, Newton Aycliffe. The carrying value of these properties prior to the impairment was £82,102.



## Financial statements

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

#### Social Housing Grant

<b>Total accumulated Social Housing Grant Received or receivable at 31 March</b>	<b>2018 £'000</b>	<b>2017 £'000</b>
Capital grant	8,511	5,909
Recognised in the Statement of Comprehensive Income	469	362
Revenue grant	7	7
	<b>8,987</b>	<b>6,278</b>

### 12 Tangible fixed assets – other

	<b>Offices £'000</b>	<b>Computers and office equipment £'000</b>	<b>Total £'000</b>
<b>Cost</b>			
At 1 April 2017	5,382	366	5,748
Additions	-	-	-
At 31 March 2018	5,382	366	5,748
<b>Depreciation</b>			
At 1 April 2017	(1,495)	(336)	(1,831)
Charged in year	(114)	(10)	(124)
At 31 March 2018	(1,609)	(346)	(1,955)
<b>Net Book Value</b>			
At 31 March 2018	3,773	20	3,793
At 31 March 2017	3,887	30	3,917

### 13 Investments

	<b>2018 £'000</b>	<b>2017 £'000</b>
Investment in Spirit Regeneration and Development LLP	4	4

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 Homes England requirements.

Livin owns 100% of the ordinary share capital (£1) of Livin Developments Ltd. The subsidiary did not trade during the year and was dormant at 31 March 2018.

## Financial statements

### 14 Investment properties: Non-social housing properties held for letting

	2018 £'000	2017 £'000
At 1 April	7,744	7,483
Works to Investment Properties	151	283
Revaluation loss	(184)	(16)
Disposals	(61)	(13)
Transfer	-	7
At 31 March	7,650	7,744

Investment properties were valued as at 31 March 2018. The associations' investment properties have been internally valued using a 10% yield by Livin's Land and Property Valuer, who is a member of the Royal Chartered Institute of Surveyors. The full valuation was undertaken in accordance with the appraisal and valuation manual of the Royal Chartered Institute of Surveyors.

### 15 Stock

	2018 £'000	2017 £'000
<b>Shared ownership properties:</b>		
Completed properties	74	-

### 16 Debtors

	2018 £'000	2017 £'000
<b>Due within one year</b>		
Rent and service charges receivable	1,932	1,356
Less: provision for bad and doubtful debts	(524)	(433)
	1,408	923
Trade debtors	150	60
Other debtors	88	236
Prepayments and accrued income	602	477
	2,248	1,696
<b>Due after more than one year</b>		
Other Debtors	423	-
	2,671	1,696

Debtors due after more than one year relates to legal charges held on private dwellings that are situated within a regeneration scheme that completed during the year.

## Financial statements

### 17 Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Overdraft	-	-
Debt (note 22)	-	-
Trade creditors	867	722
Rent and service charges received in advance	233	253
Deferred Grant Income (note 18)	191	151
Recycled capital grant fund (note 19)	6	6
Disposal proceeds fund (note 21)	51	-
Other taxation and social security	225	302
Other creditors	621	448
Accruals and deferred income	3,990	3,638
	6,184	5,520

Included in Other creditors is £264,352 (2017 £386,097) owed to DCC in respect of the VAT shelter and £6,315 (2017 £7,839) for grant received in advance from E.S.F. Wisesteps.

Included in Accruals is £11,924 (2017 £34,637) relating to holiday balances accrued as a result of services rendered in the current period which employees are entitled to carry forward. The amount is measured as the salary cost payable for the period of absence.

### 18 Deferred Capital Grant

	2018 £'000	2017 £'000
At 1 April	6,350	5,697
Grant received in the year	2,380	808
Released to income in the year	(157)	(151)
Grants disposed during the year	(13)	(4)
Recycled in the year (note 19)	(133)	-
At 31 March	8,427	6,350

	2018 £'000	2017 £'000
Amounts to be released within one year	191	151
Amounts to be released in more than one year	8,236	6,199
	8,427	6,350

## Financial statements

### 19 Recycled capital grant fund

	2018 £'000	2017 £'000
At 1 April	6	120
Grants recycled	133	-
Other adjustments	(4)	-
Withdrawals	-	(114)
At 31 March	135	6

At 31 March 2018, there was £nil due for repayment.

Withdrawals from the Recycled capital grant fund have been used for the purchase of housing properties.

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

	2018 £'000	2017 £'000
Debt (note 22)	65,400	65,400
Deferred Grant (note 18)	8,236	6,199
Recycled capital grant fund (note 19)	129	-
Disposal proceeds fund (note 21)	457	508
	74,222	72,107

### 21 Disposal Proceeds Fund

	2018 £'000	2017 £'000
At 1 April	508	88
<b>Inputs to DPF:</b>		
Funds recycled	-	456
Interest accrued	-	-
<b>Use / allocation of funds:</b>		
New build	-	(28)
Other	-	(8)
At 31 March	508	508

## Financial statements

### 22 Debt analysis

Borrowings	2018 £'000	2017 £'000
Due within one year		
Bank overdraft	-	-
Bank loans	-	-
	-	-
	2018 £'000	2017 £'000
<b>Due after more than one year</b>		
Bank loans	65,400	65,400
	65,400	65,400

#### Security

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

#### Terms of repayment and interest rates

The bank loans are repayable upon maturity at an average rate of interest of 4.3782% (2017 3.2689%) together with the Bank's margin which is currently 2.75%. Fixed loans mature on the following dates:

	Amount	Rate	Repayment Date
	£6,000,000	6.4472%	31/03/2034
	£20,000,000	6.5872%	31/03/2035
	£15,500,000	6.6872%	31/03/2036
	£11,000,000	6.6872%	31/03/2032
	£12,000,000	6.8350%	31/03/2033

At 31 March 2018 the Association had available further loan facilities of £24.6m (2017 £24.6m).

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

	2018 £'000	2017 £'000
Within one year or on demand	-	-
Five years or more	65,400	65,400
	65,400	65,400

## Financial statements

### 23 Non-equity share capital

	2018 £	2017 £
<b>Shares of £1 each issued and fully paid</b>		
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.

### 24 Reserves

#### Revaluation Reserve

This comprises of unrealised surpluses or deficits on the revaluation of investments

#### Revenue Reserve

This includes all current and prior year retained surpluses and deficits. Included in the Revenue Reserve is £40k (2017 £62k) relating to the Big Lottery Project – MonKey.

### 25 Cash flow from operating activities

	2018 £'000	2017 £'000
<b>Surplus for the year</b>	6,523	9,262
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	5,010	4,775
Impairment of tangible fixed assets	82	-
Impairment of investments	-	-
Defined benefit pension scheme operating charge	1,250	890
Defined benefit pension scheme contributions paid	(520)	(390)
Loss / (surplus) on sale of other assets	55	(2)
(Increase) in Debtors	(975)	(4)
Increase in Creditors	423	144
(Increase) in Stock	(74)	-
Adjustments for investing or financing activities:		
Surplus on the sale of Social Housing	(535)	(287)
Interest receivable	(8)	(13)
Interest payable	5,153	4,746
Government grant amortised	(157)	(151)
<b>Net cash inflow from operating activities</b>	<b>16,227</b>	<b>18,970</b>

## Financial statements

### 26 Capital commitments

	2018 £'000	2017 £'000
<b>Capital expenditure</b>		
Expenditure contracted for but not provided in the accounts	9,571	8,092
Expenditure authorised by the Board, but not contracted	6,534	11,251
	16,105	19,343

The above commitments will be financed through borrowings, operating surpluses and Homes England grant.

### 27 Contingent assets / liabilities

The Association had no contingent assets or liabilities as at 31 March 2018 (2017 £nil).

### 28 Leasing commitments

The future minimum lease payment of leases are set out below. These relate to office premises, equipment provided for residents' use and office equipment.

Minimum future operating lease payments are as follows:

	2018		2017	
	Land and Buildings £'000	Other Assets £'000	Land and Buildings £'000	Other Assets £'000
In one year or less	11	58	12	58
Between one & two years	2	33	3	27
Between two to five years	7	92	9	80
Over five years	2	25	3	27
	22	208	27	192

### 29 Related parties

During the year, one tenant of Livin served as a Board Member (Alan Fletcher). Their tenancy was on normal commercial terms and they are not able to use their position to their advantage. The arrears relating to tenant board members at the year end was £nil (2017 £nil).

One member of the Board, Ian Geldard, who served from 21 September 2016 to 11 May 2017 was a Councillor with Durham County Council, a local authority having nomination rights over tenancies for certain Association homes and which was also a shareholder of the Association. All transactions with the Council are on normal commercial terms and no Councillor Board member is able to use their position to any advantage.

David Walton is a director of Valley Environmental Consulting which provided services to Livin during the early part of 2016. These services ceased prior to David's appointment to the Board on 21 September 2016 and no transactions with the company have taken place during his tenure as a Board member.

Included in other debtors is £10,679 (2017 £1,124) intending to be recharged to Livin Developments Limited.

## Financial statements

### 30 Financial assets and liabilities

#### Categories of financial assets and financial liabilities

	2018 £'000	2017 £'000
Financial assets that are debt instruments measured at amortised cost	9,831	4,080
Financial liabilities measured at amortised cost	(5,890)	(5,262)
Loan commitments measured at cost	(65,400)	(65,400)
	(61,459)	(66,582)

#### Financial Assets

Other than short term debtors, financial assets include instant access sterling denominated deposit accounts and cash at bank

	2018 £'000	2017 £'000
Rent and service charges receivable	1,408	923
Cash at bank and in hand	8,423	3,153
Other Assets	-	4
	9,831	4,080

#### Financial Liabilities

	2018 £'000	2017 £'000
Overdraft	-	-
Trade Creditors	867	722
Grants Received	191	151
Employment Taxes and VAT Liability	225	302
Other creditors and Accruals	4,607	4,087
	5,890	5,262

#### Borrowing Facilities

	2018 £'000	2017 £'000
Financial liabilities measured at amortised cost	65,400	65,400
	65,400	65,400

The analysis of borrowings is shown in note 22.

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

	2018 £'000	2017 £'000
Expiring in more than two years	24,600	24,600
	24,600	24,600