Livin Housing Limited
Report and Financial Statements
For the year ended 31 March 2019

Contents

Strategic Report of the Board and Financial Review

General Information

Chair of the Board
Alan Fletcher

Vice Chair
Kevin Thompson

Chief Executive
Colin Steel

Executive Directors
Sean Brodie - Executive Director of Finance and Development
Alan Boddy - Executive Director of Housing and Operations

Board members
Adele Barnett
Oliver Colling
Dennis Bradley
Charlotte Harrison
Norman Rollo
Hannah Underwood (from 18 September 2018)
Gillian Stacey (from 18 September 2018)
David Walton (until 31 December 2018)

Advisors
Bankers:
Nat West PLC
12 Market Street
Durham
County Durham
DH1 3NG

Solicitors:
Trowers & Hamlins 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 first statement 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 with both political and economic uncertainty for the immediate future. The implementation of universal credit for many of our customers, means that Livin’s Board must manage these risks and respond accordingly.

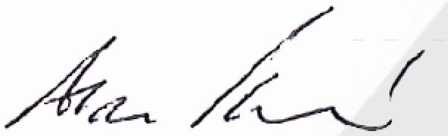
This report highlights some of our key strengths and overall performance. Our ambitious business strategy took a major step forward with the refinancing of our legacy loan facilities, which was completed just prior to year end. This has significantly increased our borrowing capacity whilst reducing interest costs and has enabled our plans for future growth. These include developing more than 900 new homes over the next 9 years and regenerating selected communities. The majority of the new homes to be developed will be for affordable rent with some low cost home ownership properties, such as Shared Ownership and Rent to Buy, also being delivered.

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 look forward to the future as we build on past successes and provide the excellent services that our customers expect.

Alan Fletcher - Chair



Chief Executive’s statement

During the year, we continued to make excellent progress in delivering the strategic objectives set out in our Business Strategy, Plan A. The strategy was developed in response to changing customer expectations, changes to the wider operating environment, and to ensure we remain focused on supporting individual and community needs. 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 29.3% (2018: 34.3%) and our maximum borrowing capacity, which has increased by approximately 84%. Our results show a deficit of £23.286m for the year, as a result of significant costs incurred in refinancing legacy loan facilities. Excluding these one off breakage costs, underlying performance remained strong and a surplus of £6.03m (2018: £6.523m) would have been achieved.

The refinancing of our legacy debt concluded on 28 March 2019 and removed the previous funding constraints. New loan facilities of £120m have been put in place which is an increase of £30m compared to our previous facilities. Although breakage costs of £29.3m were incurred in cancelling old loans, as the new borrowings are at significantly lower interest rates, overall interest costs in future years will be substantially reduced.

We delivered additional efficiencies with our strategic partner Mears plc, through the creation of an integrated repairs and maintenance team, ‘Livin Works’. This unified service enables us to provide high quality repairs and home improvements with an increased focus on our customers, a key objective of our Business Strategy.

Our aim continues to be to offer more personalised services, and tailored products, across a range of tenures that will allow customers to remain in their homes for longer.

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 staff, customers, strategic partners and Board for their on-going efforts and commitment to Livin.

Colin Steel – Chief Executive

At a glance

Operating Margin

2019 30.9%

2018 33.0%

EBITDA

2019 £14.769m

2018 £15.713m

Units in management

2019 8,408

2018 8,376

Number of housing responsive repairs completed

2019 27,726

2018 25,460

Void Loss (all properties)

2019 2.17%

2018 2.33%

Total arrears (adjusted for Housing benefit due)

2019 2.52%

2018 2.07%

Investment (housing developments, acquisitions and improvements to homes) 2019

2019 £15.697m

2018 £10.826m

Social value generated

2019 £11.83m

2018 £10.645m

Our business

The Board of Livin are pleased to present this report together with the audited financial statements of Livin Housing Limited (the Association) for the year ended 31 March 2019. 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

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

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

The Association 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

Alan Fletcher – Chair of the Board

Alan has been a Board Member with Livin since 2012 and is Chair of the Board. He is a member of the Human Resources and Remuneration, Housing and Assets and Finance 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.

Kevin Thompson – Vice Chair of the Board

As a County Councillor for the Spennymoor and Middlestone Ward and Town Councillor for Byers Green, Kevin has community and local priorities firmly at the forefront of his responsibilities.
As a school Governor Kevin has a strong interest in matters around education, as well as social housing and welfare reform. At Durham County Council his key area of interest is planning where he believes that the transparency of the public agenda is paramount at a grass roots level, working for the benefit of the community. Kevin has previously served on Livin's Board through periods of significant transformation and contributed to developing Livin as an efficient and sustainable business, supporting tenants to improve their lives.

Adele Barnett – Independent Board Member

Adele has been a Board member since 2014 and previously chaired the HR & Remuneration Committee. She is currently a member of the Audit and Risk Committee, Human Resources and Remuneration 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.
Adele believes in quality service provision having worked for Durham County Council Children and Adults Services with responsibility for the Services Quality Assurance Programme and Policy Framework. 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

Oliver Colling - Independent Board Member

Oliver has been a Board member with Livin since 2015 and is currently Chair of the Audit and Risk Committee. He is also a member of the Finance 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'.

Oliver's business and finance skills bring commercial acumen to Livin's Board, underpinned by his belief that everyone deserves a decent home regardless of their background.

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 and Housing and Assets Committees.

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. He is committed to ensuring Livin's tenants receive great services delivered with care, courtesy fairness and respect.

Board Members

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 Finance and Development Committee and also a member of the Housing and Assets and the Human Resources and Remuneration committees. With two master's degrees, Dennis has over 40 years' experience in the public sector. Driven by a strong social conscience and experience of the workings of large, complex organisations Dennis spends his time since retiring assisting as a Chair of Governors as well as his work with Livin.

Dennis believes that a secure, affordable home is a necessity for all and is committed to bringing his experience and skills to help support the Board.

Charlotte Harrison – Independent Board Member

Charlotte has been a Board member since February 2017. She is currently on the Finance and Development and Human Resources and Remuneration 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 which was part of a wider network of agencies working with the Latin American community. 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. Charlotte is passionate about the role housing can play in supporting opportunity for both individuals and communities and is committed to bringing her experience and knowledge to the Board.

Hannah Underwood – Independent Board Member

Hannah is passionate about enabling people to flourish and brings extensive leadership and business improvement skills through her experience of leading award winning businesses to deliver innovation and growth. Hannah has a strong interest in supporting youth projects to empower young people in the region which help raise potential for them to meet their aspirations.

With a 'social heart', Hannah is passionate about sustaining strong communities and is committed to adding value to Livin's mission through exploring and considering wider social and economic issues and their impact on housing.

Board Members

Gillian Stacey – Independent Board Member

Masters qualified, Gillian has a wealth of experience in strategic leadership and management and in supporting community initiatives across the UK. With over 25 years of senior charity management experience, particularly in the health, social care and philanthropy sectors, she has an extensive track record in change management, strategy development and growth.
Gillian is committed to delivering real benefits to Livin and its communities, helping marginalised people to access services and in particular the elderly and people with dementia.

Board members retiring during the year:

Board Member	Date of resignation
Ian Youll	18 September 2018
David Walton	31 December 2018

Board members appointed during the year:

Board Member	Date of appointment
Gillian Stacey	18 September 2018
Kevin Thompson	18 September 2018
Hannah Underwood	18 September 2018

Board attendance

The table below shows each Board member's attendance of Board and Committee meetings they were able to attend during the financial year:

Board Member	Board	Performance Board	Audit and Risk	Finance and Development	Housing and Assets	HR and Remuneration
Ian Youll	3:5	3:3		1:2	1:2	0:1
Alan Fletcher	10:10	5:5	2:2	4:4	4:4	2:2
Kevin Thompson	4:5	2:2	1:2		2:2	
Adele Barnett	10:10	5:5	3:4		4:4	2:2
Oliver Colling	10:10	0:5	4:4	3:4		
Dennis Bradley	9:10	5:5		4:4	4:4	2:2
Charlotte Harrison	9:10	5:5		4:4	2:2	1:1
Norman Rollo	10:10	4:5	4:4		2:2	2:2
David Walton	4:7	3:4	1:3	0:2		
Hannah Underwood	3:5	2:2	2:2	2:2		
Gillian Stacey	4:5	2:2		2:2	2:2	

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

The Association has insurance policies which indemnify Board members and staff against liability when acting for the Association.

Business strategy

Livin's high-level strategic plan, **Plan A**, covers the period April 2017 to March 2019 and provides a clear direction and focus for growing 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 strategy was developed to cope with the changing business environment ensuring Livin remains agile, adaptive but anchored to our mission and values.

Objectives and Strategy

Plan A: Our Business Strategy – Mission, Vision, Priorities, Objectives

Our mission

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

Business strategy cont.

Our Vision

Building a sustainable business that provides great homes and supports customers to improve their lives

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.
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

	2018/19 £'000	2017/18 £'000	2016/17 £'000	2015/16 £'000	2014/15 £'000
Statement of comprehensive income					
Turnover	34,545	34,551	34,758	35,068	34,285
Operating surplus	10,689	11,387	13,606	12,872	7,367
(Deficit) / Surplus for year	(23,286)	6,523	9,262	8,571	4,168
Statement of financial position					
Housing properties (net of depreciation)	129,113	120,197	116,300	112,360	109,090
Investment properties and other investments	7,829	7,654	7,748	7,487	7,479
Other fixed assets	3,809	3,793	3,917	4,337	4,876
Total fixed assets	**140,751**	**131,644**	**127,965**	**124,184**	**121,445**
Current assets	5,849	11,168	4,849	5,282	4,155
Current liabilities	(5,520)	(6,184)	(5,520)	(13,902)	(19,517)
Total assets less current liabilities	**141,080**	**136,628**	**127,294**	**115,564**	**106,083**
Long term loans	99,994	74,222	72,107	70,183	69,777
Pension deficit	7,030	6,840	5,660	2,120	2,070
Revenue reserve	27,271	48,912	42,628	36,333	27,322
Revaluation reserve	6,785	6,654	6,899	6,928	6,914
Total reserves	**141,080**	**136,628**	**127,294**	**115,564**	**106,083**
Net debt	**88,327**	**56,977**	**62,247**	**69,315**	**75,518**
Other information and key performance measures					
Housing properties (units)	8,408	8,376	8,373	8,480	8,504
Operating surplus as a % of turnover	30.9%	33.0%	39.1%	36.7%	21.5%
Surplus for the year as % of turnover (excluding breakage costs)	17.5%	18.9%	26.6%	24.4%	12.2%
Rent losses (voids + bad debt as a % of rent receivable)	2.6%	2.6%	2.9%	3.5%	3.9%
EBITDA	14,769	15,713	17,958	17,151	13,808
EBITDA MRI	10,136	11,859	11,822	10,248	5,285
EBITDA MRI % turnover	29.3%	34.3%	34.0%	29.2%	15.4%
Interest Cover (excluding breakage costs)	2.01	2.36	2.57	2.74	1.13

Financial review

EBITDA MRI is used to monitor financial performance as this provides a closer match to cash generation essential to Livin's loan covenant monitoring. Using this measure performance has declined from £11.859m to £10.136m. The deficit of £23.286m for the year was due to significant loan breakage costs, totalling £29.316m, which were incurred as a result of the association refinancing its entire loan portfolio. Excluding these breakage costs the results for the year would have shown a surplus of £6.03m (2018 £6.523m). This slight reduction in the underlying surplus for the year is the result of; increased repairs costs, as Livin invested more on improving the quality of void homes available for letting; the 1% reduction in rents imposed through legislation; an increase in depreciation from further investment in housing stock. In addition, there was an increase in pension costs due to the outcome of the McCloud judgement (see note 9).

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. Our Asset intervention strategy and other mitigations have been put in place to reduce this impact and continue to have a positive impact.
The void loss in 2018/19 was £0.73m compared to £0.784m in the previous year.

Asset management and property developments

We are continuing to improve our residential accommodation. During 2018/19 we invested £11.064m to acquire homes, including low cost home ownership properties and invested £4.633m to ensure all our homes continue to meet the Decent Homes Standard.

Rent arrears

Overall, rent arrears in respect of current tenancies at the year end stood at 1.53% (2018: 1.14%) 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 at an earlier stage. Support for customers who are struggling to pay their rent was provided by the Financial Wellbeing Team.

Livin has seen a significant increase in Universal Credit claimants as the remaining areas of County Durham moved onto Universal Credit in June 2018. Of the forecast number of tenants that will migrate to Universal Credit approximately 36% had done so at the year end.

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 welfare benefits advice, budgeting and income maximisation support 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 refinanced its existing loan portfolio during the year, replacing the original debt facilities, agreed at transfer (March 2009), with new bi-lateral facilities. Loans of £65.4m were repaid during the year and replaced with new facilities totalling £120m, of which £91m were drawn at the year end. A summary of the borrowings at year end is shown in the table below.

Maturity	2019 £m	2018 £m
Within one year		
Between one and two years		
Between two and five years	11.0	-
After five years	80.0	65.4
	91.0	65.4

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 Pension Insurance Corporation, AIB Group (UK) plc and Lloyds Bank plc, 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 the Association's exposure to interest rate fluctuations. The Association's treasury policy targets a maximum of 30% variable rate loans or a maximum of 90% fixed rate loans. Following refinancing the amount of variable loans outstanding were £11m, resulting in 87.9% of the Association's borrowings being at fixed rates at the year end.

The range of interest rates on the fixed rate loans varies between 2.742% and 3.207% (including margins) and is 1.633% on the revolving loan. These interest rates are significantly lower than the rates Livin were paying on the original transfer debt which were between 6.94% and 7.35% (fixed rates).

Costs associated with breaking the loan agreements have been charged to interest payable in the Statement of Comprehensive Income and totalled £29.3m.

Borrowing capacity has increased by approximately 84% following the completion of a new stock condition survey which was used to inform the latest stock valuation. This has allowed the Board more flexibility to deliver their medium term strategic objectives.

Peak debt

Livin's Business Plan for 2019-49 has been prepared in accordance with the existing capital structure and includes a pipeline of developments over the next nine years, with peak debt forecast at £135.4m in March 2028.

Capital structure and treasury policy cont.

Employees

We recognise that the success of our business depends on the quality of our managers and staff. It is Livin's policy 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 the organisation.

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.

Donations

The Association donated £3,972 (2018 £3,535) to charitable organisations.

No political donations were made.

Performance and development

Senior management and the Board monitor achievement of the Association'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	2018/19 Target	Performance score	Actual versus Target
Overall satisfaction with customer experience	87%	91.08%	☺
Average time taken to re-let housing (calendar days - excluding major works)	28	33.61	☹
% of responsive repairs completed right first time	92%	88.19%	☹
% of emergency repairs attended and completed within 4 hours	95%	95.04%	☺
% 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)	1.21%	0.78%	☹
Proportion of rent collected as a % of rent owed *	99.45%	99.9%	☺
Total rent arrears as a proportion of rent roll *	2.23%	2.52%	☹
% of rent lost through dwellings becoming vacant (excluding properties held void for asset management reasons)	1.08%	1.04%	☺
Number of working days / shifts lost due to sickness absence (Total)	3.5	5.01	☹

*After adjusting for housing benefit due

Future developments

The Board has approved plans to spend approximately £6.265m during the next financial year to improve existing general housing. In addition, Board approval has been given for £14.515m (net of grant) to be spent in 2019/20 on the provision of new homes. This investment will be funded by existing committed, undrawn loan facilities, Livin's rental income stream, and short term deposits.

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 financial statements. Livin first reported against this standard in its 2017-18 financial statements; this is the second such report.

Livin's Value for Money Strategy, last revised in July 2018, affirms 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 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.

In this analysis we have also considered 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 below compares Livin's performance in 2018/19 against:

- Actual performance in 2017/18, 2016/17 and 2015/16;
- Forecast performance for 2019/20; and
- Comparative performance against the sector as a whole using 2017/18 data.

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

As set out in the Capital structure and treasury policy section of the financial statements, Livin undertook a refinancing exercise during 2018/19. This will result in long term interest savings. However, loan breakage costs of £29.3m were incurred, which are included within Livin's Interest Payable costs for the year, and affect Livin's performance against some Value for Money metrics. Where appropriate, we have calculated the metrics both including and excluding breakage costs, to demonstrate both actual and underlying performance levels.

Value for Money cont.

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 2018/19 was not available, so 2017/18 data has been used.

The Global Accounts does 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 329 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	2020 forecast	2019	2018	2017	2016	2019 Performance	Quartiles
Operating margin (Social Housing)	TM	18.8%	25.4%	29.5%	39.1%	34.2%	☹ Lower	Upper 37.4% Median 32.5% Lower 26.0%
Operating Margin (overall)	TM	22.7%	27.6%	31.4%	38.3%	36.7%	☹ Lower median	Upper 35.4% Median 29.7% Lower 23.3%
EBITDA MRI Interest Cover (Including breakage costs)	TM	221.2%	29.5%	236%	257%	274%	☹ Lower	Upper 275.4% Median 203.0% Lower 147.9%
EBITDA MRI Interest Cover (Excluding breakage costs)	TM	221.2%	200.6%	236%	257%	274%	☹ Lower median	Upper 275.4% Median 203.0% Lower 147.9%

Livin's operating margin (Social Housing) has reduced in the year, moving from lower median quartile in 2017/18 to lower quartile performance in 2018/19.

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. This has resulted in our performance in this area placing us in the lower median quartile.

Value for money cont.

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 pension costs due to the impact of the McCloud judgement. This actuarial adjustment affected pension costs in 2018/19 and reduced operating margin by a further 2.4%;
- An increase in expenditure on routine and planned maintenance caused a 2.4% reduction in margin, but the new service standards have been set to improve customer satisfaction; and
- An increase in depreciation and impairment charges following capital investment in prior years, reduced operating margin by a further 1.1%.

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. The impact of the above factors was to reduce EBITDA MRI by £1.723m to £10.136m, and EBITDA-MRI as a percentage of Turnover by 5.0% to 29.3%.

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.

The main factor in the reduction in performance was the £29.3m breakage costs paid upon refinancing. Refinancing has removed restrictive covenants that were in place and will lead to significant future interest savings that will improve this metric and deliver value for money.

If this one-off cost is removed from the calculation underlying performance is 200.6%, which is just below the sector median of 203%.

The forecasts for 2019 predict a decrease in performance against both Operating Margin measures (social housing and overall margin) to lower quartile performance. 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 2.9% and EBITDA-MRI Interest Cover by 28%.

Livin's EBITDA-MRI Interest Cover performance is forecast to improve despite increasing debt, to fund further development and regeneration projects, due to the significant reduction in interest rates secured by refinancing.

Prior to approving the annual budget, 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 cont.

Development (capacity and supply)

Metric	Type	2020 forecast	2019	2018	2017	2016	2019 Performance	Quartiles
New supply delivered % (Social housing units)	TM	1.55%	1.03%	0.92%	0.1%	0.6%	☺ Upper median	Upper 2.3% Median 1.0% Lower 0.27%
New supply delivered % (non-social housing units)	TM	-	-	-	-	-	Livin does not currently have a programme of non-social housing delivery, and therefore no performance is reported against this metric.	
Gearing	TM	67.7%	67.6%	47.4%	56.2%	64.8%	☺ Upper	Upper 57.1% Median 43.7% Lower 32.6%

This year, we continued our programme of new developments, including a number of bungalows in Chilton, Sedgefield and Spennymoor. Bungalows are in high demand in our region, but are rarely built by traditional developers. We also developed our first shared ownership properties, and acquired a number of properties through section 106 arrangements in Thornaby, Spennymoor and School Aycliffe.

Shortly after the year end, Livin won the 'Best social or affordable new housing development 2019 at the LABC regional Building Excellence Awards for the second consecutive year. The award was for our development at The Woodlands, Spennymoor.

During 2018/19, we delivered 87 homes (66 newly developed homes and 21 homes purchased on the open market) against a target of 116. This shortfall was due to delays on two of our largest development sites, primarily due to infrastructure issues, together with constraints in the level of financial commitments we were able to make as a result of our financing arrangements.

Performance in New Supply Delivered % (Social Housing Units) improved to upper median quartile level. The recent re-financing exercise will allow us to increase the level of new supply that we can deliver in future years, maintaining upper median quartile performance.

In keeping with more than 75% of registered providers, Livin does not currently have a programme of non-social housing delivery, and therefore no performance is reported against the metric New supply delivered % (non-social housing units).

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. Livin's gearing has historically been constrained by its financing arrangements; the re-financing exercise has increased Livin's ability to increase future gearing levels, and planned future investment in both regeneration and development work is forecast to increase Livin's level of gearing in future years.

Value for money cont.

Outcomes delivered

Metric	Type	2020 forecast	2019	2018	2017	2016	2019 Performance	Quartiles
Resident Satisfaction (see note below)	SS	91%	91% (transactional basis)	92.3% (transactional basis)	96.2% (overall basis)	Not available	☺ Upper median	Upper 91.6% Median 87.5% Lower 82.4%
Investment in community activities per property	SS	£34	£45	£50	£20	£19	☹ Below average	£69 Average investment (providers with between 5,000 and 10,000 units)
Reinvestment %	TM	18.0%	11.8%	8.9%	7.9%	7.43%	☺ Upper	Upper 8.7% Median 5.8% Lower 3.0%

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 it is similar enough to allow a reasonable comparison to be drawn.

The measure Investment in community activities per property replaces the Sector Scorecard measure £s invested in communities that was reported last year. This 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.

Livin’s upper quartile performance against the Reinvestment metric in 2018/19 reflects ongoing investment in our existing properties and core communities. During the year, we have undertaken refurbishment work across the property portfolio. The works primarily related to component replacements to maintain 100% decent homes standard. In addition to this, energy efficiency measures were carried out to poorly performing assets. We look to build on the past success of our award winning York Hill regeneration scheme (completed in 2017/18) with a new regeneration project at The Courts, Shildon due to start in late 2019.

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 the future.

Value for money cont.

Effective asset management

Metric	Type	2020 forecast	2019	2018	2017	2016	2019 Performance	Quartiles
Return on Capital Employed	TM	5.5%	7.6%	8.3%	10.7%	11.1%	☺ Upper	Upper 5.7% Median 4.2% Lower 3.2%
Occupancy	SS	99.1%	99.1%	98.9%	99.2%	96.5%	☹ Lower median	Upper 99.7% Median 99.4% Lower 98.9%
Ratio of responsive repairs to planned maintenance	SS	1.23	1.31	1.90	1.14	1.17	☺ Upper	Upper 0.90 Median 0.61 Lower 0.45

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 upper median quartile performance.

Occupancy levels at 31 March 2019 show lower median quartile performance but an improvement on last year's position. This metric is representative of the performance improvements made to our void levels during 2018/19; as can be seen from Note 3 to the financial statements where average void loss has reduced again in 2018/19. Increasing occupancy levels, by improving the quality of lettable properties ensures that our key strategic objectives of improving existing homes and delivering an excellent customer experience are met. Reducing void turnaround time and supporting existing tenants to sustain their tenancies remain key objectives for Livin.

The ratio of responsive repairs to planned maintenance has decreased significantly in the year but remains 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. An increase in repair costs is expected as we seek to rebalance the low cost service with higher quality standards to improve customer satisfaction and avoid reputational damage. Livin's maintenance cost per unit (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.

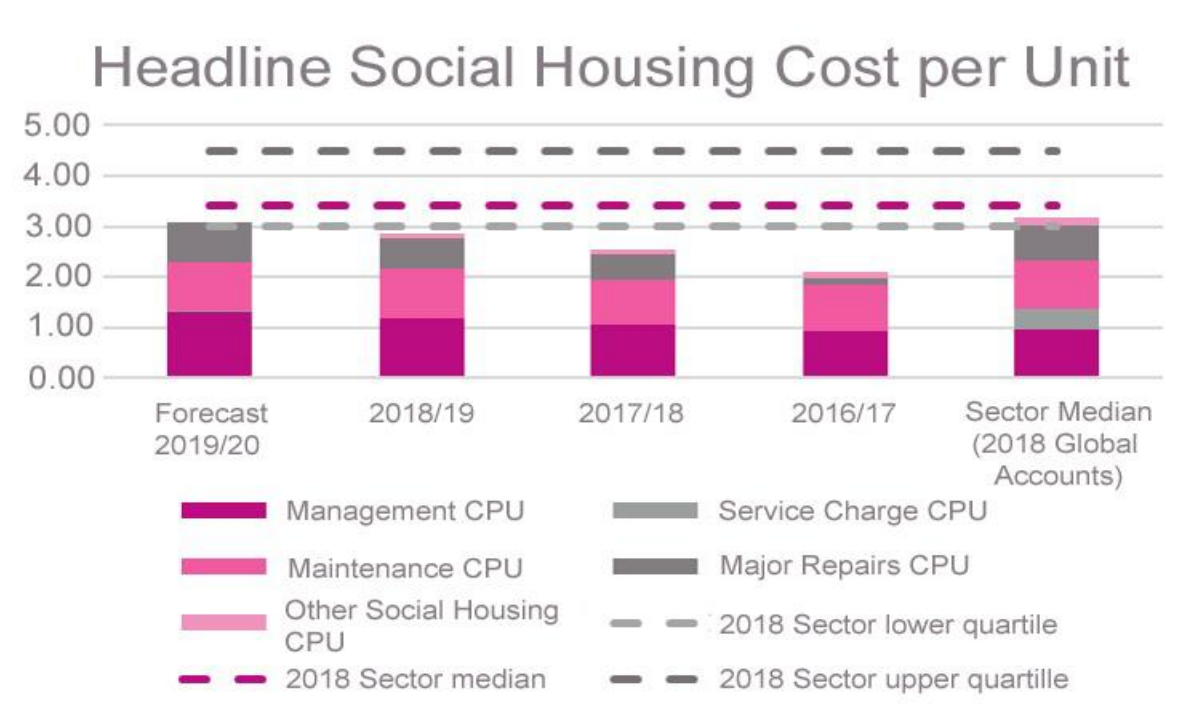
Value for money cont.

Operating efficiencies

Metric	Type	2020 forecast	2019	2018	2017	2016	2019 Performance	Quartiles
Headline social housing cost per unit	TM	£3,089	£2,848	£2,660	£2,080	£2,680	☺ Upper	Upper £2,948 Median £3,362 Lower £ 4,323
Management cost per unit	TM	£1,304	£1,175	£1,050	£920	£980	☹ Lower median	Upper £813 Median £1,024 Lower £1,241
Maintenance cost per unit	TM	£944	£978	£880	£910	£910	☹ Lower median	Upper £775 Median £907 Lower £1,121
Service charge cost per unit	TM	£8	£9	£10	£10	-	☺ Upper	Upper £193 Median £332 Lower £559
Major Repairs cost per unit	TM	£769	£587	£620	£180	£640	☺ Upper median	Upper £525 Median £720 Lower £983
Other Social Housing Cost per unit	TM	£64	£99	£100	£60	£150	☺ Upper median	Upper £74 Median £186 Lower £412
Rent collected from current and former tenants as a percentage of the rent due (excluding arrears brought forward)	SS	98.9%	99.5%	99.14%	99.69%	99.68%	☹ Lower median	Upper 100.5% Median 99.7% Lower 99.2%

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 affected by an adjustment to pension costs following the Actuaries report. For 2019/20, a further increase in cost per unit is anticipated, although it is still expected that a better than median performance will be maintained. Again, the anticipated increase in costs for 2019/20 is primarily within management costs per unit, partly due to inflationary pressures and partly due to prudent setting of our annual budget.

Value for money cont.



Factors contributing to the low overall headline social housing cost per unit, and Livin's continuing 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 (upper median 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 improved to the lower median quartile.

This performance is an improvement on 2017/18 despite the increasing numbers of Livin tenants now in receipt of Universal Credit instead of Housing Benefit. We have seen an increase in rent arrears amongst this tenant group during 2018/19 which has been offset by a reduction in former tenant arrears. 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 continues to remain a priority.

Value for money cont.

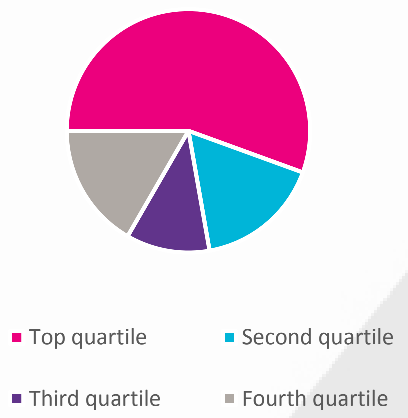
Overall Performance

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

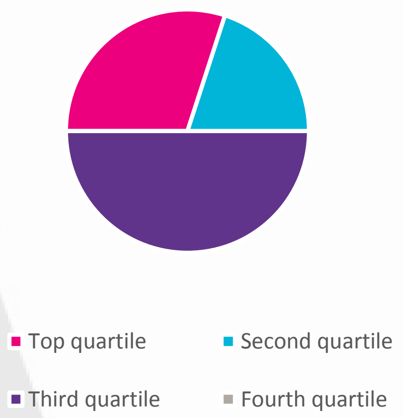
Metric	2020/21 Forecast	2019/20 Forecast	2018/19	2017/18	2016/17	2015/16
Operating Margin (Overall)	4	4	3	2	1	2
EBITDA MRI Interest Cover (%)	3	2	4	2	2	2
New supply delivered – social housing (%)	2	2	2	3	4	3
Gearing (%)	1	1	1	3	2	3
Reinvestment %	1	1	1	1	2	2
Return on Capital Employed	2	2	1	1	1	1
Headline Social Housing Cost per Unit (£)	2	2	1	1	1	1
Average for all metrics	2.1	2.0	1.9	1.9	1.9	2.0

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: 2018/19 quartile performance



Sector scorecard metrics: 2018/19 quartile performance



Assumes Investment in Communities is third quartile

Value for money cont.

Measurable 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 2018/19 there are two metrics where performance is below the sector median; these are Operating margin (overall) and EBITDA MRI Interest cover.

Operating margin (overall) is forecast to remain in the lower quartile, as a result of improving the quality of our repairs service, particularly in relation to void property repairs. We are also looking at establishing other services that will sustain the tenancies of vulnerable tenants. We believe that this will provide value for money as we match our customer aspirations, support our tenants and provide quality homes.

Our EBITDA MRI Interest cover performance is expected to improve to upper median quartile. Despite additional borrowings that will be required to fund new supply, the cost of these funds is expected to be significantly lower than the rate we were paying on the loans arranged at transfer. These reduced interest costs will increase performance in this area.

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 2018/19 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, 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.

The Board is satisfied that Livin's financial plans provide a balanced performance across its adopted value for money metrics and is currently achieving above median performance across the technical metrics as a whole.

Governance

Regulatory and other information

Regulatory judgement and financial viability review

The Regulator of Social Housing conducted a Stability Check in October 2018 and 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 Standard, 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 22 May 2019 are set out in the table below.

Key risk	Key controls in place, and actions being undertaken
1. Development and Acquisitions strategy is not aligned with market demand	We seek to understand the markets we operate in through: • Option appraisal report on site demographics and housing market drivers added to all development schemes using 3rd party Housing Intelligence • Close links between the Development and Housing teams to understand local demand and needs We monitor our performance through: • Robust financial appraisal on new schemes • Board approval of development parameters • Regular Board reporting setting out progress on key developments
2. Development contractor unable to deliver required services	We seek to mitigate this risk through: • Thorough financial checks on prospective contractors • Detailed monitoring of financial viability of existing contractors • Specialist procurement advice and support for major or high risk tenders
3. Failure to deliver an Excellent Customer Service	We seek our tenants' views, and look to support them, through • Customer Experience Strategy • Customer Voice Strategy • Review of Complaints received We monitor our performance through: • Customer satisfaction surveys • Transactional analysis of service provided • Internal audit

Risks and uncertainties cont.

Key risk	Key controls in place, and actions being undertaken
4. Failure to increase capacity to deliver Plan A	We seek to build a constructive “two-way deal” with all staff members, through: • Employee Strategy • Effective recruitment and talent management • Capacity density measures • Performance appraisal • Learning and development opportunities • Apprenticeships
5. Effective Corporate Governance processes not in place	Our current control environment includes: • Annual review of compliance against the Regulator of Social Housing’s regulatory standards, NHF Code of Governance and NHF Code of Conduct • Annual probity report to Board • Structured Board reporting, including robust risk management processes • Annual Statement of Internal Control considered and approved by the Board • Structured programme of internal and external audit, which includes internal audit reviews of core governance processes
6. Ineffective management of Landlord Health and Safety Obligations	We monitor our compliance with legislation and best practice through: • Regular inspections of our properties, including gas safety checks, electrical inspections and monitoring of asbestos materials • Regular inspections of communal areas and flat blocks, including fire safety assessments, undertaken by NEBOSH qualified individuals • Regular re-inspections of a sample of safety checks by third parties, to ensure that the quality of our internal checks remains high The board assures itself of compliance through: • Regular compliance reports to both the Board and the Audit and Risk Committee • Internal audit reviews and other external reviews of Health and Safety processes
7. Delivery of the Association’s financial business plan not achieved	Key controls include: • Long term financing arrangements in place • Robust budgetary processes • External validation of business plan • Robust scrutiny of quarterly management accounts by Finance and Development Committee as well as by the Board • Use of retained Treasury Advisers • Governance framework enabling an effective decision making process

Risks and uncertainties cont.

Key risk	Key controls in place, and actions being undertaken
8. Value for Money not demonstrated or delivered	We continue to embed VFM across the organisation, through: • Value for Money objectives within the Business Strategy and Performance Management Framework • Embedding VfM considerations in our budgeting, procurement and performance management processes
9. Inability of organisation to react to the current political and economic environment	Key controls include: • Plan A Business Strategy • Structured financial planning processes, including short, medium and long term (30 year) financial plans • Use of Business Intelligence information • Robust risk management processes • Stress testing of business plan
10. Livin Works unable to deliver required services	Key controls include: • Ongoing financial monitoring and liaison • Retained procurement advisors used • Business Continuity Plans in place • Insurance cover
11. Property portfolio does not support a sustainable business or community	We seek to understand the needs of our business and community through: • Robust analysis of stock sustainability using NPV and yield calculations We ensure that our findings are acted on through: • Targeted investment programme • Community Regeneration Team which oversees proposed regeneration projects • Regular reporting through the Performance Management Framework
12. Lack of resource opportunities to enable socially and economically balanced communities	We seek to identify appropriate resources through: • Building a range of partnerships which maximise funding opportunities • Developing Community Plans built on sound business intelligence • Consultation with communities to ensure we target resources where need is greatest • Monitoring the social value we generate

Risks and uncertainties cont.

Key risk	Key controls in place, and actions being undertaken
13. Financial implications of Universal Credit are not understood and addressed	We closely monitor the impact of Universal Credit on our tenants, including: • Monitoring and analysing trends in rent arrears to enable us to target our support appropriately • Seeking feedback from tenants on the effectiveness of support provided • Working closely with DCC and other local bodies to understand and address emerging risks and support needs Our support offer to tenants includes: • Specialist staff able to provide welfare benefits advice • Pre-tenancy support to help prospective tenants understand whether they can afford a tenancy • Support to access grants and services
14. High levels of tenancy turnover	Key controls include: • Listening to the Customer Voice to ensure that services meet tenant needs • Working closely with applicants and new and vulnerable tenants to help them sustain their tenancies • Regular Monitoring of Tenancy Turnover and reasons for termination

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 or Universal Credit 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 £29 million of undrawn facilities at 31 March 2019), which provide adequate resources to 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 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 2018 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 Assets, Finance and Development and Human Resources and Remuneration Committees.
- 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.
- 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.

Internal controls assurance cont.

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 action plans have been established to ensure that 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. Following a re-tender process during 2018/19, Livin's internal audit service will be delivered by TIAA from 1 April 2019.

National Housing Federation (NHF) Code of Governance

Livin has adopted the National Housing Federation'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 National Housing Federation's 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 occurred during the year. Section D2 of the Code of Governance establishes a nine year maximum term for Board members. Livin's former Chair, Ian Youll, was first appointed in March 2009, and retired 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. It was 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 appointed a successor Chair at the September 2018 AGM, and from this point, all Board members were compliant with the maximum service requirements.

The Board considers that it is compliant with these Codes at the date of signature of these financial statements.

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.

National Housing Federation (NHF) Code of Governance cont.

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 the future.

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 July 2019.

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 18 July 2019. 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.

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.

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

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 19 September 2019 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 19 September 2019 and signed on its behalf by:

Alan Fletcher - Chair

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 2019 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 2019 and of its deficit 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.

Independent Auditor's report to the members of Livin Housing Limited cont.

Other information

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

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

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Cooperative and Community Benefit Societies Act 2014 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 pages 38-39, 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.

Independent Auditor's report to the members of Livin Housing Limited cont.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Beever and Struthers

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

Date: 25 September 2019

Statement of comprehensive income

	Note	2019	2018
		£'000	£'000
Turnover	3	34,545	34,551
Operating costs	3	(25,008)	(23,699)
Operating surplus (before housing sales)		9,537	10,852
Gain on disposal of property, plant and equipment	6	1,152	535
Operating surplus		10,689	11,387
Interest receivable and other income	7	393	289
Interest payable and similar charges	8	(5,052)	(5,153)
Other Finance Costs – refinancing costs	8	(29,316)	-
(Deficit)/Surplus on ordinary activities before taxation		(23,286)	6,523
Tax on ordinary activities		-	-
(Deficit)/Surplus for the year		(23,286)	6,523
Actuarial gain/(loss) in respect of pension schemes	9	1,560	(300)
Unrealised gain/(loss) on the revaluation of investment properties	14	216	(184)
Total comprehensive income for the financial year		(21,510)	6,039

The accompanying notes form part of these financial statements.

All activities of the Association are classed as continuing.

The financial statements were approved and authorised for issue by the Board of Directors on 19 September 2019 and were signed on its behalf by:

Alan Fletcher Chair	Kevin Thompson Vice chair	Sean Brodie Secretary

Statement of changes in reserves

	Income and expenditure reserve	Revaluation reserve	Total
	£'000	£'000	£'000
Balance as at 1 April 2017	42,628	6,899	49,527
Transfer between reserves	61	(61)	-
Actuarial loss on pension scheme	(300)	-	(300)
Surplus for the year	6,523	(184)	6,339
Balance as at 31 March 2018	48,912	6,654	55,566
Transfer between reserves	85	(85)	-
Actuarial gain on pension scheme	1,560	-	1,560
Surplus/(Deficit) for the year	(23,286)	216	(23,070)
Balance as at 31 March 2019	27,271	6,785	34,056

The accompanying notes form part of these financial statements.

Statement of financial position

	Note	2019	2018
		£'000	£'000
Tangible fixed assets			
Housing properties	11	129,113	120,197
Other tangible fixed assets	12	3,809	3,793
Investments	13	4	4
Investment Properties	14	7,825	7,650
		140,751	131,644
Current assets			
Stock	15	564	74
Debtors	16	2,612	2,671
Cash at bank and in hand		2,673	8,423
		5,849	11,168
Creditors: Amounts falling due within one year	17	(5,520)	(6,184)
Net current assets		329	4,984
Total assets less current liabilities		141,080	136,628
Creditors: Amounts falling due after more than one year	20	99,994	74,222
Provisions for liabilities			
Defined benefit pension liability	9	7,030	6,840
		107,024	81,062
Capital and reserves			
Income and expenditure reserve		27,271	48,912
Revaluation reserve		6,785	6,654
Total Reserves		34,056	55,566
		141,080	136,628

The financial statements were approved and authorised for issue by the Board of Directors on 19 September 2019 and were signed on its behalf by:

Alan Fletcher Chair	Kevin Thompson Vice chair	Sean Brodie Secretary

The accompanying notes form part of these financial statements.

Statement of cash flows

	Note	2019		2018
		£'000		£'000
Net cash generated from operating activities	25	16,724		16,227
Cash flow from investing activities				
Purchase of tangible fixed assets		(15,061)		(10,903)
Proceeds from sale of tangible fixed assets		2,032		2,451
Grants received		1,448		2,380
Interest received		20		8
		(11,561)		(6,064)
Cash flow from financing activities				
Interest paid and refinancing costs		(36,513)		(4,893)
New secured loans		91,000		-
Repayments of borrowings		(65,400)		-
		(10,913)		(4,893)
Net change in cash and cash equivalents		(5,750)		5,270
Cash and cash equivalents at beginning of the year		8,423		3,153
Cash and cash equivalents at end of the year		2,673		8,423

The accompanying notes form part of these 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 2019.

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, 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 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.

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.

Disposal Proceeds Fund (DPF)

Historic receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal were credited to the DPF up until the year ended 31 March 2017 when due to de-regulatory measures there was no longer requirements to show new proceeds from relevant disposals in the DPF. This creditor is carried forward until it is used to fund the acquisition of new social housing.

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 Statement of Comprehensive Income 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.

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.

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 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 Statement of Financial Position date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the Statement of Financial Position date.

Interest

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

Loan finance issue costs

These are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue, less capitalised issue costs of debt. Where loans are redeemed during the year, any redemption penalty and any connected loan finance costs are recognised in the Statement of Comprehensive Income account in the year in which the redemption took place.

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.

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

	2019 Turnover	Operating costs	Operating surplus
	£ ’000	£ ’000	£ ’000
Social Housing lettings	32,824	(24,499)	8,325
Other social housing activities			
First tranche low cost home ownership sales	45	(34)	11
Garage lettings	647	(229)	418
Big lottery project	-	(40)	(40)
ESF Project	143	(143)	-
Non-social housing activities			
Lettings	236	(63)	173
Other Income	650	-	650
	34,545	(25,008)	9,537

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

Particulars of turnover, cost of sales, operating costs and operating surplus cont.

	General needs housing	Housing for elderly	Low cost home ownership	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	21,502	11,049	-	32,551	32,645
Service income	41	22	-	63	70
Net rental income	**21,543**	**11,071**	**-**	**32,614**	**32,715**
Other income (grant amortisation)	132	74	4	210	157
Turnover from social housing lettings	**21,675**	**11,145**	**4**	**32,824**	**32,872**
Management and support services	(6,372)	(3,510)	-	(9,882)	(8,799)
Service charge cost	(53)	(24)	-	(77)	(83)
Routine maintenance	(4,694)	(2,912)	-	(7,606)	(6,901)
Planned maintenance	(400)	(219)	-	(619)	(483)
Major repairs expenditure	(196)	(107)	-	(303)	(1,354)
Bad debts	(98)	(53)	-	(151)	(130)
Depreciation of housing properties	(3,401)	(1,867)	(25)	(5,293)	(5,000)
Impairment	(156)	-	-	(156)	(82)
Payment to DCC (VAT sharing agreement)	(235)	(129)	-	(364)	(264)
Other costs	(31)	(17)	-	(48)	(88)
Operating costs on social housing lettings	**(15,636)**	**(8,838)**	**(25)**	**(24,499)**	**(23,184)**
Operating surplus on social housing lettings	**6,039**	**2,307**	**(21)**	**8,325**	**9,688**
Void losses	**599**	**114**	**17**	**730**	**784**

Included in Management and support service costs above is an additional pension charge of £820,000 in relation to the 'McCloud/Sergeant' judgement in the Court of Appeal (December 2018) (see note 9)

Particulars of turnover from non-social housing lettings

	2019	2018
	£'000	£'000
Commercial properties	194	204
Other	42	47
	236	251

4. Accommodation in management and development

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

	2019 No.		2018 No.
Social housing			
General housing			
- social rent	4,527		4,598
- housing for older people	2,640		2,641
- affordable rent	1,198		1,123
- shared ownership	13		4
- intermediate rent	30		10
Total owned and managed	8,408		8,376

5. Operating surplus

The operating surplus is arrived at after charging:	2019		2018
	£'000		£'000
Depreciation of housing properties	5,293		4,886
Depreciation of other tangible fixed assets	129		124
Impairment of social housing assets	156		82
Gain on disposal of property, plant and equipment	1,152		535
Operating lease rentals			
- land and buildings	9		10
- office equipment and computers	55		55
- motor vehicles	35		30
Auditors' remuneration (excluding VAT)			
- for audit services	18		18
- tax compliance services	-		-
- other services	2		3
Total non-audit services	2		3

6. Gain on disposal of property, plant and equipment

	RTB/RTA	Other Disposals	2019 Total	2018 Total
	£ '000	£ '000	£ '000	£ '000
Disposal proceeds	1,908	475	2,383	2,849
Less administration charges	(95)	-	(95)	(83)
Less amount payable to Durham County Council	(256)	-	(256)	(340)
Net disposal proceeds	1,557	475	2,032	2,426
Carrying value of fixed assets	(451)	(432)	(883)	(1,887)
Grant attributable to disposal	3	20	23	73
Costs attributable with the disposal	-	-	-	(7)
	1,109	63	1,172	605
Recycled Capital Grant Fund	(-)	(20)	(20)	(70)
	1,109	43	1,152	535

Included in Other Housing Sales above is a loss on disposal relating to Livin's regeneration scheme at York Hill totalling £nil (2018 £235,583).

7. Interest receivable and other operating income

	2019	2018
	£ '000	£ '000
Interest receivable	20	8
VAT shelter income	364	265
Other income	9	16
	393	289

8. Interest payable and similar charges

	2019 £ '000		2018 £ '000
Loans and bank overdrafts	4,882		5,003
Interest costs for pension scheme	170		150
	5,052		5,153
	2019		2018
Other Finance costs	£ '000		£ '000
Refinancing Costs – Loan breakage costs	29,316		-
	29,316		-

9. Employees

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

	2019 No.		2018 No.
Administration	53		50
Property and Development	27		32
Housing	53		44
	133		126

Employee costs:	2019 £ '000		2018 £ '000
Wages and salaries	4,282		4,230
Social security costs	429		424
Other pension costs	527		747
	5,238		5,401

Included in Employee costs are early retirement and voluntary redundancy costs totalling £Nil (2018 £253,278).

The Association's employees are eligible to be members of Durham County Council Local Government Pension Scheme (LGPS). 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 2019 by a qualified independent actuary.

The employers' contributions to the DCCPF by the Association for the year ended 31 March 2019 were £527,461 (2018 £747,026) at a contribution rate of 11% of pensionable salaries.

Estimated Current service costs to the DCCPF during the accounting period commencing 1 April 2019 are £1,450,000.

The McCloud judgement

In December 2018 the Court of Appeal ruled against the Government in the 'McCloud/Sargeant' judgement which found that the transitional protection arrangements put in place when the firefighters' and judges' pension schemes were reformed were age discriminatory. The ruling potentially has implications for all public sector schemes which were reformed around the same time and could lead to members who were discriminated against being compensated.

In June 2019 the Supreme Court rejected the Government’s request to appeal the judgement. Whilst the judgement was not in relation to members with LGPS benefits it is reasonable to assume that the Government will now seek to remedy all public sector schemes including LGPS. The potential additional liability has been recognised in the financial statements to reflect the potential uplift in benefits for those members who were discriminated against.

The Government’s Actuary Department, under instruction from the LGPS Advisory Board (England and Wales) has calculated the worst case scenario impact at LGPS level. The additional McCloud liability has been calculated by multiplying 3.2% by the value of the active liabilities at 31 March 2019. Allowing for the McCloud judgement in the accounts as at 31 March 2019 will increase Current Service Costs from 1 April 2019. These Service Costs will be updated next year to allow for McCloud and the results of the 2019 valuation.

Financial assumptions

	31 March 2019	31 March 2018
	% per annum	% per annum
Discount rate	2.5%	2.6%
Future salary increases	3.6%	3.5%
Future pension increases	2.1%	2.0%
Pension accounts revaluation rate	2.1%	2.0%
Inflation assumption – RPI	3.2%	3.1%
Inflation assumption – CPI	2.1%	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.

Employees

The assumed life expectations on retirement at age 65 are:

	2019 No. of Years	2018 No. of Years
Retiring today:		
- Males	22.6	23.3
- Females	24.1	25.0
Retiring in 20 years:		
- Males	24.3	25.5
- Females	25.9	27.3

Analysis of the amount recognised in surplus or deficit:

Year ended 31 March	2019		2018
	£'000		£ '000
Current service cost	1,280		1,250
Past service cost	1,090		-
Amounts charged to operating costs	2,370		1,250

Year ended 31 March	2019		2018
	£'000		£ '000
Net Interest	170		150
Amounts charged to other finance costs	170		150
Remeasurement gain/(loss) recognised on defined benefit pension scheme	1,560		(300)
Actual return on scheme assets	2,650		670

Amounts recognised in the statement of financial position

Net pension (liability) at 31 March	2019		2018
	£'000		£ '000
Present value of funded obligation	(42,400)		(39,350)
Fair value of scheme assets (bid value)	35,370		32,510
Net (liability) recognised in statement of financial position	(7,030)		(6,840)

Employees (continued)

Reconciliation of opening and closing balances of the present value of scheme liabilities	2019		2018
	£'000		£'000
Opening scheme liabilities	(39,350)		(37,240)
Current service cost	(1,280)		(1,250)
Past service cost	(1,090)		-
Interest cost	(1,020)		(970)
Contributions by scheme participants	(260)		(270)
Remeasurements	(240)		(150)
Benefits paid	840		530
Closing scheme liabilities	(42,400)		(39,350)

Reconciliation of opening and closing balances of the fair value of scheme assets	2019		2018
	£'000		£'000
Opening fair value of scheme assets	32,510		31,580
Remeasurements	1,800		(150)
Interest income	850		820
Contributions by employer	790		520
Contributions by scheme participants	260		270
Benefits paid	(840)		(530)
Closing fair value of scheme assets	35,370		32,510

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

Equities	49.9%	50.0%
Gilts	26.1%	29.4%
Bonds	11.6%	8.9%
Property	7.4%	6.9%
Cash	5.0%	4.8%

History of asset values, present value of liabilities and (deficit) / surplus	Year ended 31 March 2019 £'000		Year ended 31 March 2018 £'000
Fair value of assets	35,370		32,510
Present value of liabilities	(42,400)		(39,350)
(Deficit) / Surplus	(7,030)		(6,840)

	2019		2018
	£'000		£'000
Actual return on scheme assets	2,650		670

10. Key management personnel

	Basic Salary	Benefits in kind	Pension Contributions	Total 2019 £'000	Total 2018 £'000
Board Members	57	2	-	59	56
Executive Directors	396	-	47	443	555

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

	2019 No. of employees	2018 No. of employees
£60,001 and £70,000	3	2
£70,001 and £80,000	-	3
£80,001 and £90,000	3	-
£100,001 and £110,000	-	2
£120,001 and £130,000	2	-
£140,001 and £150,000	-	2
£150,001 and £160,000	1	-
	9	9

Individual Board Members levels of remuneration	2019 £'000	2018 £'000
Ian Youll (Chair) until 18.9.2018	6	13
Alan Fletcher (Chair)	10	7
Kevin Thompson from 18.9.2018	3	-
Adele Barnett	7	7
Hannah Underwood from 18.9.2018	2	-
Gillian Stacey from 18.9.2018	3	-
Oliver Colling	6	6
Dennis Bradley	6	6
David Walton until 31.12.2018	4	5
Norman Rollo	7	7
Charlotte Harrison	5	5
	59	56

The highest paid Director was the Chief Executive. Their emoluments including an adjustment for FRS 102 annual leave accrual, but excluding pension contributions, were £150,616 (2018 £141,669).

The aggregate amount of compensation payable to Directors in relation to loss of office for the period was £nil (2018 £36,278).

The Chief Executive is a member of the Durham County Council Pension Fund. The pension contributions made during the period were £17,685 (2018 £17,042).

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 2019 was 3 (2018: 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% (2018 0.2%).

11. Tangible fixed assets - housing properties

	Social housing properties held for letting	Non-social housing properties held for letting	Housing properties for letting under construction	Completed Shared Ownership Housing properties	Total housing properties
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 April 2018	150,878	298	2,671	183	154,030
Additions	6,974	-	3,206	394	10,574
Works to existing homes	4,633	-			4,633
Schemes completed	1,198	-	(1,758)	560	-
Disposals	(1,173)	(45)	-	-	(1,218)
Transfer between assets	211	-	-	(211)	-
At 31 March 2019	162,721	253	4,119	926	168,019
Depreciation and impairment					
At 1 April 2018	(33,753)	(80)	-	-	(33,833)
Charged in year	(5,268)	-	-	(25)	(5,293)
Impairment	(156)	-	-	-	(156)
On disposals	376	-	-	-	376
At 31 March 2019	(38,801)	(80)	-	(25)	(38,906)
Net Book Value **At 31 March 2019**	123,920	173	4,119	901	129,113
At 31 March 2018	117,125	218	2,671	183	120,197

The carrying value of assets with restricted title or pledged as security is £67.7m (2018:£117.125m)

Expenditure on works to existing homes	2019	2018
	£'000	£'000
Amounts capitalised as components	4,633	2,951
Amounts included in housing properties for letting under construction	252	903
Amounts charged to the income and expenditure account	303	1,354
	5,188	5,208

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 £155,759 (2018: £82,102) has been made this year in relation to 5 properties on the York Hill estate. The carrying value of these properties prior to the impairment was £557,230.

Social Housing Grant

Total accumulated Social Housing Grant Received or receivable at 31 March	2019 £'000		2018 £'000
Capital grant	9,959		8,511
Recognised in the Statement of Comprehensive Income	646		469
Revenue grant	7		7
	10,612		8,987

12. Tangible fixed assets – other

	Offices		Computers and office equipment		Total
	£'000		£'000		£'000
Cost					
At 1 April 2018	5,382		366		5,748
Additions	113		33		146
At 31 March 2019	5,495		399		5,894
Depreciation					
At 1 April 2018	(1,609)		(347)		(1,956)
Charged in year	(111)		(18)		(129)
At 31 March 2019	(1,720)		(365)		(2,085)
Net Book Value					
At 31 March 2019	3,775		34		3,809
At 31 March 2018	3,773		20		3,793

13. Investments

	2019		2018
	£'000		£'000
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 2019.

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

	2019 £'000		2018 £'000
At 1 April	7,650		7,744
Works to Investment Properties	-		151
Revaluation gain/(loss)	216		(184)
Disposals	(85)		(61)
Transfer	44		-
At 31 March	7,825		7,650

Investment properties were valued as at 31 March 2019. 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

	2019 £'000		2018 £'000
Shared ownership properties:			
Completed properties	564		74

16. Debtors

	2019 £'000		2018 £'000
Due within one year			
Rent and service charges receivable	1,924		1,932
Less: provision for bad and doubtful debts	(566)		(524)
	1,358		1,408
Trade debtors	146		150
Other debtors	177		88
Social housing grant receivable	32		-
Prepayments and accrued income	488		602
	2,201		2,248
Due after more than one year			
Other Debtors	411		423
	2,612		2,671

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 previous financial year.

17. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Debt (note 22)	-	-
Trade creditors	2,096	867
Rent and service charges received in advance	243	233
Deferred Grant Income (note 18)	202	191
Recycled capital grant fund (note 19)	6	6
Disposal proceeds fund (note 21)	-	51
Other taxation and social security	106	225
Other creditors	619	621
Accruals and deferred income	2,248	3,990
	5,520	6,184

Included in Other creditors is £363,226 (2018 £264,352) owed to DCC in respect of the VAT shelter and £nil (2018 £6,315) for grant received in advance from E.S.F. Wisesteps.

Included in Accruals is £53,614 (2018 £11,924) 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

	2019 £'000	2018 £'000
At 1 April	8,427	6,350
Grant received in the year	1,448	2,380
Disposals proceeds fund	150	-
Released to income in the year	(210)	(157)
Grants disposed during the year	(3)	(13)
Recycled in the year (note 19)	(20)	(133)
At 31 March	9,792	8,427

	2019 £'000	2018 £'000
Amounts to be released within one year	202	191
Amounts to be released in more than one year	9,590	8,236
	9,792	8,427

19. Recycled capital grant fund

	2019		2018
	£'000		£'000
At 1 April	135		6
Grants recycled	20		133
Other adjustments	-		(4)
Withdrawals	-		-
At 31 March	155		135

At 31 March 2019, there was £5,623 (2018 £nil) due for repayment.

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

20. Creditors: amounts falling due after more than a year

	2019		2018
	£'000		£'000
Debt (note 22)	91,000		65,400
Less debt issue costs	(1,104)		-
	89,896		65,400
Deferred Grant (note 18)	9,590		8,236
Recycled capital grant fund (note 19)	149		129
Disposal proceeds fund (note 21)	359		457
	99,994		74,222

21. Disposal Proceeds Fund

	2019		2018
	£'000		£'000
At 1 April	508		508
Inputs to DPF:			
Funds recycled	-		-
Interest accrued	1		-
Use / allocation of funds:			
New build	(150)		-
At 31 March	359		508

22. Debt analysis - borrowings

Due within one year	2019		2018
	£'000		£'000
Bank overdraft	-		-
Bank loans	-		-
	-		-

Due after more than one year	2019		2018
	£'000		£'000
Bank loans	26,000		65,400
Private placement	65,000		-
	91,000		65,400

Security

The bank loans and private placement debt are secured by fixed charges on individual homes

Terms of repayment and interest rates

The interest rates payable on the bank loans and private placements range between 1.633% and 3.207%. The percentage of loans at fixed rates of interest was 88% at the year end.

At 31 March 2019 the Association had available further bank loan facilities of £29m (2018 £24.6m).

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

	2019		2018
	£'000		£'000
Within one year or on demand	-		-
Between two and five years	11,000		-
Five years or more	80,000		65,400
	91,000		65,400

23. Non-equity share capital

Shares of £1 each issued and fully paid	2019		2018
	£		£
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 £nil (2018 £40k) relating to the Big Lottery Project – MonKey.

25. Cash flow from operating activities

	2019		2018
	£'000		£'000
(Deficit)/Surplus for the year	(23,286)		6,523
Adjustments for non-cash items:			
Depreciation of tangible fixed assets	5,422		5,010
Impairment of tangible fixed assets	156		82
Defined benefit pension scheme operating charge	2,370		1,250
Defined benefit pension scheme contributions paid	(790)		(520)
Surplus on the sale of Social Housing	(1,152)		(535)
Loss on sale of other assets	-		55
Decrease/(Increase) in Debtors	59		(975)
Increase in Creditors	297		423
(Increase) in Stock	(490)		(74)
Adjustments for investing or financing activities:			
Interest receivable	(20)		(8)
Interest payable and refinancing costs	34,368		5,153
Government grant amortised	(210)		(157)
Net cash inflow from operating activities	16,724		16,227

26. Capital commitments

Capital expenditure	2019		2018
	£'000		£'000
Expenditure contracted for but not provided in the accounts	9,309		9,571
Expenditure authorised by the Board, but not contracted	16,898		6,534
	26,207		16,105

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 2019 (2018 £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:

			2019				2018
	Land and Buildings		Other Assets		Land and Buildings		Other Assets
	£'000		£'000		£'000		£'000
In one year or less	9		55		11		58
Between one and two years	2		31		2		33
Between two to five years	5		92		7		92
Over five years	2		26		2		25
	18		204		22		208

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 (2018 £nil).

One member of the Board, Kevin Thompson, who served from 18 September 2018 is a Councillor with Durham County Council, a local authority having nomination rights over tenancies for certain Association homes. All transactions with the Council are on normal commercial terms and no Councillor Board member is able to use their position to any advantage.

Included in other debtors is £nil (2018 £10,679) intending to be recharged to Livin Developments Limited.

30. Financial assets and liabilities

Categories of financial assets and financial liabilities

	2019	2018
	£'000	£'000
Financial assets that are debt instruments measured at amortised cost	4,130	9,831
Financial liabilities measured at amortised cost	(5,261)	(5,890)
Loan commitments measured at cost	(91,000)	(65,400)
	(92,131)	(61,459)

Financial Assets

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

	2019	2018
	£'000	£'000
Rent and service charges receivable	1,358	1,408
Cash at bank and in hand	2,673	8,423
Other Assets	99	-
	4,130	9,831

Financial liabilities

	2019		2018
	£'000		£'000
Overdraft	-		-
Trade Creditors	2,096		867
Grants Received	192		191
Employment Taxes and VAT Liability	106		225
Other creditors and Accruals	2,867		4,607
	5,261		5,890

Borrowing facilities

	2019		2018
	£'000		£'000
Financial liabilities measured at amortised cost	91,000		65,400
	91,000		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:

	2019		2018
	£'000		£'000
Expiring on one year or less	10,000		-
Expiring in more than two years	19,000		24,600
	29,000		24,600

Livin

0800 5874538 or 0845 505 5500
livin.co.uk
feedback@Livin.co.uk or contactus@Livin.co.uk
wearelivin
@weare_livin