REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 MARCH 2017

Co-Operative and Community Benefit Society Registration Number 30003R
(Registered with the Homes and Communities Agency Number L4370)

Contents

Advisers and Bankers

Registered Office
Rowan House
Avenue One
Letchworth Garden City
Hertfordshire, SG6 2WW

Registered Number: 30003R

Bankers
Barclays Bank PLC
1 Churchill Place
London, E14 5HP

Auditors
Grant Thornton UK LLP
Grant Thornton House
202 Silbury Boulevard
Central Milton Keynes, MK9 1LW

Board Members and Executive Officers

Board: served during year

Chair
Martin Nurse

Vice Chair
Peter Lipman

Chair of Audit and Risk Committee
Philip Day

Board Members
Christine Anthony
David Barnard
Stacey Brewer
Jane Gray
Marie Li Mow Ching
Kay Vowles

Executive Officers

Chief Executive
Gavin Cansfield

Interim Executive Director of Finance and Resources
Cris McGuinness

Executive Director of Homes and Customer Experience
Shaun Holdcroft

Company Secretary
Molly Clark

Operating and Financial Review and Board Report

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

North Hertfordshire Homes Limited (NHH) is a registered Co-operative and Community Benefit Society with charitable objectives. It is registered with the Homes and Communities Agency (HCA) and is governed by a non-executive Board. The Group operates throughout Hertfordshire and Central Bedfordshire, with its head office in Letchworth Garden City. The majority of its properties are situated in North Hertfordshire. The Association commenced trading in April 2003 after the housing and ancillary land was purchased from North Hertfordshire District Council.

The Group's principal activities are the management and development of affordable and supported housing. The Group's performance during the year and position at the year-end are summarised in this report.

Activities

North Hertfordshire Homes Limited comprises one registered housing provider, with one wholly owned subsidiary, Rowan Homes (NHH) Limited, being incorporated in May 2011 (together, The Group). The aim of the subsidiary is to generate returns on residential development to provide cross subsidy for affordable housing. Allunite Limited was sold in September 2016.

The Group operates five key business streams:

- Affordable housing for rent
- Retirement housing and extra care for older people
- Temporary housing to house those who are statutorily homeless
- Shared ownership developments
- Property development for sale

The organisation manages over 9,000 social housing properties in addition to over 2,500 commercial properties (primarily garages). The Group is also a developer of new housing primarily of mixed tenure.

In addition to rental housing, the Group also lets a number of commercial properties with a majority operating community-based services in the neighbourhoods. During the financial year the group decided to discontinue the motor vehicle workshop, which was in existence to repair fleet vehicles and carry out MOTs. This was also available to the public to generate additional income. After extensive analysis, it was deemed to be in the best interest of the Group to discontinue this business activity, the discontinued activities of the motor vehicle workshop do not have a material financial impact and therefore we have not split out this activity in the financial statements. The Group's focus remains its housing activities and this is expected to continue.

Housing property assets

Details of the changes to the Group's tangible and intangible fixed assets are shown in notes 12 to 14 of the Financial Statements. Housing property values are considered in the Operating and Financial Review.

Reserves

The Group has recorded a surplus for the year of £13.9m (2016: £11m), the year-end Group reserves (revenue & revaluation) amounted to £41.9m (2016: £28.9m).

Rent and service charges policy

The government introduced a formula to reflect a 1% rent reduction per year for four years beginning April 2016. The Group have managed this reduction by way of running a cost reduction programme and looking at efficiencies across the organisation. Service charges are set to recover the costs that NHH incur in providing the services. The Group is fully compliant with the current regulatory guidelines on rents and service charges.

The Board and Executive Directors

The Group's Board and Executive Directors are listed on page 3 of this report. The Board is made up of ten non-executive members composed of one tenant member, two nominees from North Hertfordshire District Council (NHDC) and six independent members. At the end of the financial year, there are three vacancies of which two vacancies are for tenant members and one for a nominee from NHDC.

Since the financial year end, the Group has appointed two new independent board members who will take up their positions formally in September 2017.

Each tenant and independent board member holds one fully paid £1 share in the Group and NHDC corporately holds the remaining one share and exercises one third of the votes at shareholders' meetings.

The Executive Directors hold no interest in the Group's share capital and, although they do not have the legal status of directors, they act as Executives within the authority delegated by the Board. The Executive Directors are the Chief Executive, the Executive Director of Finance and Resources and the Executive Director of Homes and Customer Experience.

During the financial year there were eight board meetings (2016: six) held and all meetings were quorate.

Group insurance policies

These indemnify Board members and directors against liability when acting for the Group.

Service contracts

Tenant and Independent Members of the Board serve a term of office for three years. They are entitled to offer themselves for a further term of three years for election by the membership of the Group if they so choose. They are engaged via a service contract and are paid for their services. The Board term of office is six years, which may be extended up to nine years in exceptional circumstances.

The Chief Executive and other Executive Directors are appointed on an employment contract, which has the same terms as other staff, other than different arrangements for annual leave. The notice period for the Chief Executive is six months.

Pensions

The Executive Directors are members of the North Hertfordshire Homes Ltd Stakeholders Pension Scheme (NHSPS). The NHSPS is a money purchase scheme. They participate in the scheme on the same terms as all other eligible staff and the Group contributes to the scheme on behalf of its employees

Objectives and strategy

NHH has been working on a strategic plan for 2017 – 2020 the details of the strategic plan are detailed below:

Our Purpose

'To provide good, affordable homes for those who might otherwise struggle to find a place to live.'

Our Challenge

Our world is changing. Against a backdrop of financial difficulty for some and an inaccessible housing market for many, we are here to tackle challenges familiar to us all.

The reason we exist is to help those people who might otherwise struggle to find a home. Whether that's because they are homeless and in crisis, have lost employment, suffered bereavement or simply starting out on their housing journey. We offer a range of options – rented housing, temporary accommodation, housing with care for older people and low cost homeownership. For many a good home is enough, it's a place to build or rebuild their lives, somewhere to be proud of and the foundation of a rewarding life. Some people will need extra help - whether that's getting back into employment, getting a better job or tackling loneliness and poor health.

Over the coming years our work will be focussed on helping those who are struggling to make ends meet as well as meeting the changing needs of an ageing population. We know we cannot help everyone, which means we will sometimes have to make difficult decisions, focusing our efforts where they can have the biggest impact.

This all means we need to run a financially sound business, one that is efficient and effective, can provide much needed new housing, deliver trusted services that are simple to use and create a working environment that can attract and retain talented colleagues.

Creating Capacity	Delivering Homes	Good Services
Generate sufficient capacity to deliver our new homes.	Delivering a minimum of 480 homes over the next three years	Improve the simplicity of our services to customers and the trust they have in us as a business.
Our 2020 targets: Reach an operating surplus of 28% New homes funding requirement 100% achieved.	**Our 2020 targets:** Completion of at least 480 homes. Ensure 66% of homes built are affordable.	**Our 2020 targets:** Achieve an effort score below 3.5. Achieve a trust score above 8.5.

Strengthening Foundations

Create an environment for our colleagues which is simple to work in and part of a business that they can increasingly trust.

Our 2020 targets:
Achieve an employee trust score of 80%

Our values – these help shape our business, guide our decisions and set the tone for the way we do things.

- **Trusting** - we trust each other to do the best we can, every time.
- **Collaborative** - we are all part of the same team and every contribution matters.
- **Pioneering** - we generate ideas and try them out, we love the new and being creative.
- **Entrepreneurial** - we will be commercial and ambitious in making a profit so we can build much needed new homes.
- **Bold** - we are not afraid to do things differently.
- **Proud** - we are passionate about what we do and take pride in a job well done.

Key Performance Indicators

The Group's performance against Key Performance Indicators are shown below. The Median shown is from Housemark data for 2015/16:

Key Performance Indicators	2016/17 Actual	2015/16 Actual	2015/16 Median
Emergency repairs: and general repairs completed within 24 hours	98.80%	98.80%	*
Average Number of Days repairs completed	13 days	10 days	9 days
Rent Loss due to voids	0.81%	0.82%	0.84%
Total tenant arrears as a percentage of rent due (excluding voids)	1.68%	2.56%	4.24%
Average re-let time (Standard re lets)	31 days	18 days	24 days
Number of homes developed as a percentage of current stock	0.80%	1.58%	0.70%

* Not measured in Housemark

Repair response times

Across all categories of repairs, 98.8% (2015/16: 98.8%) were completed within our service standard. Our median number of days for completion of repairs is 13 days. Over the past twelve months the business has had difficulty in attracting the right level of skill in its workforce when undertaking repairs. As a result the organisation has carried a number of vacancies whilst finding the right skills to ensure it maintains the high levels of quality that underpin the service. A recruitment drive towards the end of the financial year has paid dividend and average repair times have fallen continually from their peek. In 2017/18 we will begin to explore operative apprenticeships to assist with this issue in future.

Rent arrears

Despite concern over the impact of Welfare Reform, rent arrears for the year were lower than the target. The Groups rent arrears were 1.68% (2015/16: 2.56%), a decrease compared to 2016. The full impact of Welfare Reform has not been felt at NHH; however the Group continue to deploy resources to reduce and monitor arrears and are looking at internal processes to mitigate any increases.

Voids

The rent loss through voids has decreased to 0.81% (2015/16: 0.82%). The re-let time is 31 days. The business had carried a number of long term voids through 2015/16 which it was considering for alternative uses. In 2016/7 these properties were let with long void periods adding to the average turn around time. Additionally, the implementation of improvements to the void process failed to deliver the targeted results and after a three month control period where the number of voids in the business grew we reversed the changes and have subsequently seen numbers of voids stabilise and reduce. The two issues explain why average turnaround time increased whilst void loss marginally decreased.

Staff turnover and sickness

The Board recognises that the success of the business depends on the quality of the Group's managers and staff. Staff turnover, calculated as the number of leavers in the year divided by the permanent staff headcount at the end of the year, was 23.7% (2015/16: 41.9%). The Group plan to implement a people and rewards strategy of which we will expect to impact directly on the number of leavers along with a finalised restructure of the organisation. The average number of sick days per person for 2017 was 7.2 days (2016: 9.7 days).

Value for money

The Board drives delivery of the Group's overall strategy. It sets the direction, priorities and targets for the organisation.

In order to meet the changing demands made of us by government, local authorities and our customers, the Board is balancing the emphasis on service performance with an understanding of the costs behind that performance; we want to explore what adds value for our customers. This will give us the information we need to provide efficient, effective, valued and low cost services.

1. Our strategic approach to value for money.

Our strategic approach to Value for Money draws together four key disciplines within our business.

- Customer voice – understanding who our customers are, how they behave and what we do that is of real value to them.
- Solid foundation – establishing a sound business that is well run and effectively governed.
- Providing the capability to allow us to provide homes and services to our customers.
- Good services – offering an easy to access, simple to use service that our customers can trust.
- Financial strength and growth maximise the capacity to invest in new and existing homes, communities and services.

These activities underpin the future strategic direction of our business and will feature at the centre of our new strategic plan, which we will launch in 2017.

2. Benchmarking

During the year we launched a new approach to understanding the voice of our customer. We are now using the Institute of Customer Service business benchmark survey to measure customer perception. We will survey quarterly using both phone and online surveying. Our headline measures will be Effort and Trust, supported by the ICS Customer Satisfaction Index and Net Promoter Score (NPS).

The results from the first survey in Q4 16/17 have highlighted the need to improve our handling of customer complaints, response times to email enquiries and waiting times for repair appointments.

In March 2017 we introduced real time customer feedback surveying on enquires handled by our contact centre. Early results show 83% of customers rate the services positively, with 91% finding it easy to contact the team. In 2017/18 we will roll out real time feedback to survey other services e.g. responsive repairs.

POOR
MARGINAL
GOOD

Business Benchmark Scores for Q4 16/17.

	North Hertfordshire Homes Business Benchmarking Overall HA's	Public Sector (local) Inc.	UK all sector average	Performance
CSI satisfaction index	72.7	74.4	77.8	
Net Promoter Score (NPS)	11.9%	5.0%	13.9%	
Effort	4.3	5.3	4.8	
Trust	7.1	7.5	7.7	

NPS – Our performance on net promoter score puts the organisation towards the top end of the range typically expected for housing providers and public sector bodies, such as the emergency services and local councils. The score is an indication of whether, on balance, customers are more or less favourable towards an organisation. This is achieved by subtracting the number of negative responses received from the number of positive responses received. This leaves a percentage score, which for NHH was 11.9% and represents strong performance having only recently begun to measure the output.

Effort Score – The lower a customer rates the effort they had to go to in order to access an organisations services the better the organisation is performing. Customer effort is rapidly becoming a central measure for all customer-focused businesses and is based upon evidence from research with over 75,000 customers about the issues, which drive a poor customer experience. The correlation between high levels of customer effort e.g. having to repeat ones self or make multiple contacts, and a negative view of an organisation is very high. NHH is preforming strongly in this area already, and will aim to be amongst the very best performing organisations in all sectors across the UK on this important metric over the next three years.

Trust score – NHH also recognise that alongside a simple service experience our customers also want to trust our intention as a business but also our work in and around their home. Tracking the trust that our customers have in our business helps us to understand what steps we need to take in order to address issues which will increase the trust customers hold in our business.

STAR scores Rented & Sheltered Housing responses combined

We also continued to survey the core Housemark STAR survey questions. The results show a small like for like drop in satisfaction scores from the 2015/16 figures. In the context of the widespread changes we have made to the business in the past year we are delighted to see that like for like analysis has remained stable and the introduction of our contact centre, new repairs offer and the implementation of the first part of our £17m efficiency programme announced in 2015/16 has not diminished our ability to deliver effective results for our customers.

Percentage of tenants satisfied with;	2015/16 End of year	2016/17 Q4
The service provided by North Hertfordshire Homes	86%	84%

Over the course of 2016/17 we will be taking part in the housing sector scorecard pilot and developing a live benchmarking tool with a range of housing associations that shares live benchmarking data across customer service and financial performance. The latter is based on a successful model which has been developed by Housing Associations working in the Netherlands and Germany. We will also be seeking to create a benchmarking club for Housing Associations using the Institute for Customer Services. We are committed to using benchmarking as a progressive tool to help the organisation project its improvement trajectory over the next three years.

Protecting the value of our assets

During the Spring/Summer of 2016 we employed Savills to conduct stock condition surveys on 22.8% of our properties. We have used this information to form our asset management strategy which is based on an active asset management approach where we seek to make investment decisions based on the financial performance of our stock in a way that strengthens our business plan and contributes to meeting our objectives. The asset management strategy was launched during December 2016 and has a clear set of deliverables over the next three years.

- Investment into our existing homes;
- How best to use our housing;
- Who to house; and
- Generating funds to replace existing homes with a greater supply of new homes.

We are developing and implementing our investment programme in two phases; year one and the second phase being years two to five. Our year one programme will be balanced whilst achieving value for money with works being delivered using framework agreements. Whilst we are delivering our year one programme, we will develop a robust procurement strategy, enhance our contract management procedures and define where we will invest and what works we will conduct. We will also develop a suite of policies and procedures on common sense investment, incentive and rewards and allowing customers to choose finishing touches to the standard investment offer.

Active Asset Management

Using the stock condition survey data, an Asset Performance Evaluation (APE) Model has been produced, which shows how our housing stock is performing. The model incorporates income, expenditure and sustainability indicators, which create a ranking system to inform us of future investment decisions.

The majority of our housing stock is performing well, however work is needed to decrease the number of poorly performing properties to reduce their impact on resources.

The APE model also provides a summary of the proposed investment in our properties, based on the Savills stock condition survey, against the rent we'll achieve over the next 30 years.

Our average yield is around 2.5%, with the benchmark for the South East of England at around 4%. The yield value for each property helps us make improvements or sustain high yield performance.

The APE model also shows whether properties are in areas that play an important function for wider society e.g. an area of low crime or strong educational attainment. We can then take a rounded view on what steps we take with each property.

Over the next three years our priorities for intelligent asset management include:

- Remodelling schemes where we have poor net present value outputs.
- Improving the yields of our properties and where possible linking this to meeting wider housing needs in the areas we work.
- Disposing of poor performing properties or those which have high market value where sales can fund multiple new properties to replace them.
- Reviewing some of our older specialist housing to provide an attractive modern living environment.

Financial Performance

The aggregated accounts for all Registered Providers are published every year following external audit and submission of statutory accounts to the regulator. This allows us to compare our financial performance with the average for the housing sector.

The result of this analysis, compared to the median across all 240 organisations included in the Global Accounts analysis.

	2016/17 Actual	2015/16 Actual	2015/16 Median
Operating margin	32.80%	28.30%	28.20%
Net margin	18.77%	13.17%	15.65%
Debt per unit	£31,650	£31,796	£20,615
Interest cover	2.18	1.98%	1.92
Gearing ratio	56%	56%	*

* Data not available

As a result of the analysis we are generally operating slightly above the average across the sector, apart from our debt per unit.

Increasing the supply of new affordable homes

The most recently published financial results for the sector show the extent to which non-social housing development has contributed to the income base of NHH compared to other organisations.

Generally, housing associations are increasingly trying to offset falls in grant and social rent streams by delivering market sales products that provide a surplus to finance social housing.

Relative to other housing associations for the year ended March 2016, NHH had total turnover of £84 million, which represented a ranking of 64th largest of the 237 housing associations in England which were analysed.

The relative ranking against other relevant indicators were as follows: -

- Surplus achieved on non-social housing development – 9
- Income achieved on non-social housing development – 17

NHH's new Development Strategy was adopted in late 2016, outlining the products and areas in which we will build homes. Underpinning the Strategy is an approach to delivering a more standardised product across all tenures, reducing design and construction risk and wastage, and giving greater surety on quality. The tenure split will be at least two thirds affordable.

Understanding our Cost Data

NHH is receptive to comparative cost information that explores the relativity of our costs with regards to other providers. An analysis of the social housing costs per property, derived from the 2016 Global Accounts data provides some context for the costs of running the NHH Business. The summary of this analysis is as follows: -

Cost Per Unit £’000	2016/17 Actual	2015/16 Actual	2015/16 Median
Management	0.97	0.99	1.02
Service charge costs	0.59	0.60	0.37
Maintenance	0.39	0.85	0.98
Major Repairs	0.32	0.79	0.81

NHH's cost per unit is less than the median for Management, Maintenance and Major Repairs. The significant drop in Maintenance is materially down to the planned maintenance element (the responsive repairs element reduced by 0.01). This is reflective of the drive to procure planned and major repairs based on an established Stock Condition Survey. The cost per unit for planned maintenance and major repairs will increase in the coming financial years to be more in line with the median.

Targeting help where it is needed most

The Group have been working on the following strategy to achieve value for money over three years:

The Social Purpose Strategy is focussing on three themes.

- Employment: Supporting our customers into employment
- Financial Inclusion: Supporting customers to better manage their money
- Health and Loneliness: Engaging customers who are socially isolated to support them into better housing.

We are redirecting 'donations' to invest £750k per year for the next three years on this. Below are the numbers of people we are looking to engage.

- Loneliness: reduce number of older people living in isolation, moving 100 households over three years
- Employment: 100 people into employment over three years (of which 40% are from our targeted group)
- Finances: support our customers to better manage their money (by engaging our targeted 750 households over three years).

North Hertfordshire Homes Limited's Value for Money Self-Assessment 2016-17 can be viewed in full at **www.nhh.org.uk/publications**

Risks and uncertainties

The risks that may prevent the Group achieving its objectives are considered and reviewed quarterly by the senior management team and the Audit and Risk Committee. The Board also consider the Risk Register twice per annum in a format that sets out the significance of their potential probability and impact should they materialise, together with action plans to mitigate them and a Heat map.

The highest level risks are identified in the following table:

Key risk	Actions being taken
Poor management of the development programme, leading to financial and regulatory constraints	• Implementation of Development strategy, which reflects core strengths • Regular oversight of development forecast and activity at Rowan Homes and North Hertfordshire Homes Board meetings • Strict adherence to the outcomes of feasibility studies, appraisal analysis • Implementation of enhanced financial appraisal models which are reviewed regularly to ensure they are competitive
Failure to comply with health and safety requirements, putting customers at risk	• The Association has a properly qualified landlord compliance Team with the correct level of expertise to manage the service • Monthly contract review meetings across all key compliance functions to ensure progress • A full programme of testing is in place for all key compliance areas and an appropriate forward view on projections of activity to remain in or gain full compliance

Key risk	Actions being taken
Failure to comply with health and safety requirements, putting customers at risk	• A Contract is in place for gas, fire safety, electrical, water testing and all other minor compliance functions • A full suite of up to date policies and procedures are in place, covering landlord compliance
Failure of IT system availability and security breaches	• Implementation of IT strategy rollout plan • Duplicate servers and business continuity plan enable continuity of service within depot in 24 hours and a limited service at other locations within 2-3 days • Business activities have enhanced interruption protection covering : • Daily back up strategy and restoration of backup tested • Firewall and anti-virus systems in place • External support arrangements • Robust change procedures

Grenfell Tower Fire

The fire at Grenfell Tower in June 2017 has understandably caused great concern nationally about fire risk in tower blocks and, more broadly, social housing. NHH has over the past nine months undertaken extensive work throughout its approach to fire safety to improve its management of risks and its understanding of the buildings it manages and whilst NHH has no buildings above six storeys in height, there are still issues which we can explore from the incident.

As a result our response has been proportionate to the risks we face, given our stock type, and focussed on ensuring we know all we can about how our buildings would act in case of a fire.

Financial position

The Group's Statement of Comprehensive Income and Statement of Financial Performance for the past five years are summarised in Table One (page 16) and the following paragraphs highlight key features of the Group's financial position at 31 March 2017.

The table shows accounts under FRS 102 for financial year ends 31 March 2017, 2016 and 2015. The years to 31 March 2014 are shown under UK Generally Accepted Accounting Principles and will therefore not provide comparable data.

The Group's operating surplus for the year is £24.3m (2015: £23.7m).

Group borrowings are £287.6m (2016: £287.6m); the Group has undrawn loan facilities of £8.7m (2016: £8.7M) that will be used to fund future improvement programmes and new developments. Revenue reserves are £41.9m (2015: £28.9m).

Accounting policies

The Group's principal accounting policies are set out on pages 31 - 38 of the financial statements.

The policies that are most critical to the financial results relate to accounting for housing properties and include capitalisation of interest for developments; housing property depreciation and capitalisation of major improvements to the housing stock and financial Instruments which under FRS 102 is valued at fair value and recognised in the financial statements.

The Group's financial statements include a provision for pension liability. The liability has been calculated by a qualified actuary in accordance with the pension's technical actuarial standards adopted by the Financial Reporting Council, which came into effect on 1 January 2013. The pension liability relates solely to the Group's membership of the Hertfordshire Local Government Pension Scheme. This scheme has just undergone a triennial valuation.

Properties in ownership

At 31 March 2017 the Group owned and managed 9,043 (2016: 9,065) social housing properties and 2,918 (2016: 2,918) commercial properties primarily garages. The properties are carried in the balance sheet at historical cost (after depreciation) of £355m (2015: £361m). The Board appointed professional valuers Jones Lang LaSalle to value the Group's housing properties at existing use valuation for social housing (EUV-SH) values. These EUV-SH values are used to calculate the Gearing Ratio in accordance with the loan covenants that are included in the loan facility agreements of the Group's long term lenders. At 31 March 2017, the EUV-SH values of the properties, on an existing use for social housing valuation basis were £516m (2016: £519m). This excluded garages and uncharged properties.

Pension costs

The Group participates in two pension schemes, the Hertfordshire Local Government Pension Scheme (LGPS) and the NHH Stakeholder Pension Scheme (NHSPS). The LGPS is a final salary scheme, while the NHSPS is a money purchase scheme. Both offer good benefits for staff. The Group has contributed 21.2% of payroll to the LGPS scheme in accordance with the contribution rate set by the actuaries, and contributes between 5% and 12.5% of payroll to the NHSPS depending on the age of employees. The latest actuarial valuation of the LGPS was for the 31 March 2017. Contributions to the scheme are 21.2% (2016: 21.2%) of pensionable salaries. The pension scheme underwent a triennial valuation during the financial year.

Capital structure and treasury policy

The Group borrowed no new funds in the 2017 financial year (2016: none) at the year-end Group borrowings amounted to £287.6m (2016: £287.6m).

The repayment profile of this debt is as follows:

Maturity	2017 £m	2016 £m
Within one year	-	2.0
More than one year less than two years	**11.5**	9.0
More than two years less than five years	**74.5**	36.0
After five years	**201.6**	240.6
	287.6	287.6

The Group has long term bank funding, consisting of a syndicated loan facility and a bi-lateral loan. It also has borrowings via bond aggregators. This debt has been issued by Harbour Funding Plc and GBSH. The bonds have a fixed coupon. The bank funding interest rate is based on LIBOR and a margin. Interest rate swaps are used to manage the Group's exposure to variable interest rate fluctuations and to secure the interest rate profile that can be supported within the 30-year business plan model.

The Group's treasury strategy includes maintaining an interest rate management policy that focuses on achieving cost savings through holding short-term debt but not missing the opportunity to tie into historically low long-term rates. The balance and split of hedging will be dependent on the nature of any revision in debt facilities and sources of finance accessed. At the year-end, 66.5% of the Group's borrowings were at fixed rates after taking account of interest rate swaps (2016: 66.5%).

Variable rates of interest (LIBOR) have been swapped for fixed rate payments on a notional £95m of original debt; the swap fixed rates range from 4.51% to 4.8% for periods of 14 to 26 years.

The Harbour Bond has a coupon rate of 5.28%. In 2006 the bond was increased by £21.5m at a net coupon cost of 4.9%, and a premium of £841k was paid, which has been accounted for as deferred income and will be released across the remaining life span of the bond.

The Group has approved loan facilities of £287.6m at the year end. A total of £8.7m remains undrawn. In September 2016, NHH extended the date for the first repayment and final drawdown of a £50m facility, which includes the £8.7m undrawn amount from 8 September 2016 to 8 September 2019. This facility is with Santander, the margin on the loan remained the same. NHH seeks to refinance loan facilities as opportunities arise. The Groups' policy is to borrow new funds only for development purposes.

Cash flows

Cash inflows and outflows during the year are shown in the cash flow statement (page 29). The cash inflow from operating activities this year remained at £38m (2016: £38m). Cash flows from operating activities have remained the same despite a 1% rent reduction due to cost savings and lower development spends as we trade out the previous development cycle and work to implement the new strategy.

Table 1 – Group Highlights, five-year summary
For the year ended 31 March 2017

	2017 £000's	2016 £000's	2015 £000's	2014 £000's	2013 £000's
Consolidated Statement of Comprehensive Income					
Total Turnover	74,210	83,980	68,063	60,767	53,943
Turnover from lettings	52,114	51,519	50,515	48,558	46,259
Operating Surplus	24,334	23,682	20,683	19,509	13,512
Net Surplus	13,936	11,063	5,020	8,019	3,735
Total Comprehensive surplus/(deficit)	13,075	10,389	(11,772)	-	-
Consolidated Statement of Financial Position					
Housing Properties, net of depreciation	355,666	361,110	353,240	339,297	334,376
SHG and other capital grants	-	-	-	(47,810)	(46,236)
Housing Properties net of depreciation and grant	355,666	361,100	353,240	291,487	288,140
Pension Assets	-	-	-	406	-
Other Fixed Assets, net of depreciation	5,230	6,225	7,265	7,524	6,644
Investments	9,205	8,364	7,166	-	-
Total Fixed Assets, net of depreciation	370,101	375,699	367,671	299,417	294,784
Net Current Assets	57,936	33,892	30,959	30,394	15,474
Creditors (due over one year)	385,776	379,744	378,199	283,946	272,922
Less investments to secure interest	-	-	-	(6,699)	(6,634)
Pension Liability	316	978	1,951	-	1,659
Net loans (due over one year)	386,092	380,722	380,150	277,247	267,947
Total Net Assets	**41,945**	**28,869**	**18,480**	**52,564**	**42,311**
Reserves Revaluation	(33,067)	(31,445)	(31,103)	1,059	994
Revenue	75,012	60,314	49,583	51,505	41,317
Total reserves	**41,945**	**28,869**	**18,480**	**52,564**	**42,311**
Total Funding included in creditors due over one year	287,636	285,636	287,632	329,811	310,258
Accommodation figures: Total properties at year end					
Social Housing	9,043	9,065	9,001	9,031	9,050
Commercial Properties	2,918	2,918	2,913	2,913	2,908
Total	**12,006**	**11,983**	**11,914**	**11,944**	**11,958**
Statistics					
Operating Surplus % of Turnover	32.8%	28.2%	30.34.%	32.10%	25.05%
Operating surplus excluding non core social housing activity % of Turnover excluding non core social housing activity.	41.28%	35.59%	35.40%	32.99%	22.04%
Net Surplus % of Turnover	18.77%	13.17%	8.51%	13.2%	6.92%
Rent losses through voids and bad debts % of annual rent and service charges receivable	2.06%	2.03%	1.51%	1.36%	2.38%
Rent Arrears % of annual rent and service charges receivable	1.68%	1.75%	1.54%	3.64%	2.67%
Interest Cover (EBIT divided by interest payable)	2.18	1.98	1.51	1.60	1.60
Liquidity (current assets divided by current liabilities)	4.57	2.77	2.73	3.57	2.98
Gearing (total loans as % assets, housing properties at value as valued by valuer)	56%	56%	57%	52%	53%
Asset Cover Ratio (housing assets at value divided by loan debt)	1.80	1.80	1.76	1.74	1.76
Debt per rental unit	£31,650	£31,796	£32,024	£33,417	£32,127

Internal Controls Assurance Statement 2016/17

1 System of internal control

The role of the NHH Board is to set the strategy of the business and monitor its delivery whilst ensuring risks are appropriately mitigated to tolerated levels.

The Board has overall responsibility for the establishment and maintenance of a system of internal control to give reasonable assurance that assets are safeguarded, waste or inefficiency avoided and reliable financial information produced, and that value for money is continuously sought.

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing, and has been in place throughout the year and up to the date of approval of the annual report and financial statements. The Board receives and considers reports from management on these risk management and control arrangements at meetings throughout the year.

NHH has a multi-tiered internal control framework which provides a structured infrastructure of how decisions are taken from lower to upper management, feeding through to Chief Executive level.

The Standing Orders and Delegated Authorities outline the scope and levels of financial parameters of senior management, which is designed to maintain financial integrity and transparency.

2 Governance Framework to support the system of internal control

The NHH Corporate Governance structure, constitution and composition of the Board and respective Committees are based on the requirements of the National Housing Federation's (NHF) Code of Governance.

This in turn has provided an effective corporate governance structure, which has been incorporated within the terms of reference of the NHH Committees where appropriate. The Committees of the NHH Board are the Audit and Risk Committee, Remuneration and Governance Committee as well as the subsidiary Rowan Homes (NHH) Limited.

NHH has an established framework of delegation and system of internal control, as set out in section C1 (7) of the NHF Code of Governance.

The Audit and Risk Committee reviews the system of internal control as part of its remit and reports to the Board via a written Chair's report which provides assurance on the extent on assurance given in relation to the internal control, covering risk management, internal and external audit.

The report also serves the purpose of highlighting matters for escalation to the Board, which enables robust and visible tracking of urgent issues that fall within the remit of the Board, given its overall accountability for the maintenance of the system of internal control.

As required by section C1 (8) of the NHF Code of Governance, the NHH Board has an established risk management framework which is designed to safeguard the assets and reputation of the organisation.

The NHH risk management framework is designed in such a manner that the Board retains overall responsibility for risk management, as stipulated by section F10 of the Code. Further narrative on the Board's risk management assurance arrangements is incorporated further on in section 7.

The NHH Rules and terms of reference of the Board take into account the NHF Code's requirement for the Board to act wholly in the best interests of the organisation. In practice, this is demonstrated via the Board membership, which consists of non executive members, and the Roles of Board Chair, Remuneration and Governance Committee chair and Audit and Risk Committee chair are split amongst separate individual Board members.

In light of their term of office of eight years, the Audit and Risk Committee Chair has undertaken a voluntary self assessment against the Independence test incorporated within section B 1 of the UK Corporate Governance Code.

This provides assurance of their ability to chair the Committee effectively, act impartially whilst objectively providing the Board with assurance on the effectiveness of internal controls.

Board members are required to declare their interests on an annual basis, or earlier should a new change arise. A Register of interests is maintained to ensure visibility of possible conflicts, which are managed by the Chair of the Board/Committee with the assistance of the Company Secretary.

3 Conflicts of interest management

All staff and Board members are required to complete declaration of interest forms at the start of employment as a minimum, with annual returns completed by Board members and relevant staff.

To aid robust conflicts of interest management, a new Declaration of Interest and Gifts and Hospitality Policy was introduced during July 2017 within the business.

The policy provides a structured approach to managing conflicts of interests, whilst safeguarding staff to ensure compliance with the relevant aspects of the Anti-Bribery Act 2010 and the National Housing Federation Code of Conduct.

The NHH Board has adopted the NHF Code of Conduct, and steps continue to be taken within the organisation to ensure the principles of the Code are translated into practice, through the introduction of an NHH Code of Conduct, which requires signing a statement of compliance with the aspects of the code.

Whilst the Board maintains primary responsibility for overseeing its key risks, it has delegated the monitoring of assurance (in relation to the system of internal control) to the Audit and Risk Committee, which comprises of independent Board membership.

The role of the Audit and Risk Committee is to provide the Board with a means of independent and objective review of the business's financial, corporate governance, risk management and internal control arrangements, and compliance with legislation and other regulatory requirements.

The system of internal control is designed to manage, rather than eliminate risk and to provide reasonable assurance that strategic objectives will be achieved, and reasonable assurance that there will be no material misstatement or loss.

An internal control framework has been in place for the duration of the 2016/17 financial year.

The key elements of the internal control framework include:

- An effective Audit and Risk Committee, which scrutinises and challenges the effectiveness of the system of internal control
- A comprehensive system and set of processes to identify, manage and mitigate strategic and operational risks, which has been embedded into the operational culture of the business
- A live and robust 30 year business plan covering all activities, which is approved annually by the Board.
- A comprehensive system to manage health and safety and statutory compliance risks, which are overseen by the Audit and Risk Committee
- A comprehensive set of policies and procedures and delegated authorities covering all major policy/operational areas
- A comprehensive system of performance reporting which is considered by the Board on a quarterly basis

4 Audit and Risk Committee's role in maintaining the system of internal control

The Board obtains assurance on the effectiveness of the systems of internal control through scrutiny by the Audit and Risk Committee (the committee), which meets at least four times in each financial year.
The means by which the Audit and Risk Committee reviews the effectiveness of the system of internal control include considering risk reports, internal audit reports, management assurances and the external audit management letter.

The Committee also reviews summary financial statements, the control environment supporting significant financial returns to regulators and any financial information contained in other official documents, including the Annual Internal Controls Assurance Statement.

The Committee placed reliance on the independent work of Grant Thornton UK LLP, the External Auditors, in verifying the accuracy of financial statements and where appropriate highlighting any ISA260 (Report for those charged with Governance) issues.

As at the 2016/17 period there were no ISA 260 issues raised by Grant Thornton as part of the external audit related to that period.

The 2016/17 External Audit Findings report highlights that there were no internal control issues impacting on the integrity of the financial statements.

The Committee also took into account the work of the Internal Audit Function, which has been monitored through the course of the year, by overseeing the implementation of recommendation stemming from internal audit report updates.

The internal audit plan is a combined programme of risk based and core internal activity. The programme is considered and approved by the Committee.

The Committee members have meetings with both internal and external auditors without the NHH Executive Team present.

During the course of the financial year the Committee maintained oversight of the Fraud risk register on a quarterly basis (as mandated by the Financial Regulations) and where appropriate challenged the effectiveness of proposed mitigations.
The Association's risk management arrangements were reviewed in August 2016, and an opinion of 'adequate assurance' was given by Mazars LLP.

The 2016/17 Annual Internal Audit Report provides an audit opinion which states that:

"In our opinion, North Hertfordshire Homes has in place an appropriate framework for identifying, evaluating and managing the significant risks faced by the Association. In respect of the areas of activity which we reviewed, and subject to the weaknesses identified and reported in our internal audit reports, North Hertfordshire Homes has an adequate framework of internal control and appropriate risk management and governance processes, which provides adequate assurance regarding the effective and efficient achievement of the Association's objectives.

No instances of actual or suspected fraud have been encountered during our audit work.

This independent assurance statement informs the Board's assessment of the system of internal control."

5 Health and Safety

The Health and Safety arrangements of the Association incorporate robust policies, procedures and risk assessments providing clear information to staff on all aspects of health and safety. These policies and their effectiveness are monitored by safety inspections, a range of KPI's and consultation routes for staff to ensure health and safety is maintained to a high standard throughout the business.

During the course of the financial year, the Association self reported to the Regulator on a control issue regarding fire risk assessments, with assurance on implementation of mitigations given to the Audit and Risk Committee. The mitigation work was carried out promptly and full compliance achieved within 8 weeks of reporting by the 6th February 2017.

6 Fraud Risk Management

A clear policy on fraud is in place. This has been approved by the Board and distributed to all staff. This policy requires a register to be maintained of actual and attempted fraud, with all cases reported to the Audit and Risk Committee.

An internal audit review of fraud was undertaken within the 2016/17 and the audit opinion of 'Adequate assurance' was awarded.

The Association will take steps to embed and implement best practice guidance arising from the NHF Guidance on Countering Fraud, as issued in March 2017.
As at the end of the 2016/17 period there were no reported cases of fraud that took place.

7 Regulatory Framework Self Assessment for 2016/17

Homes and Communities Agency Standards

The organisation has undertaken an annual assessment of its compliance against the HCA Regulatory Standards that fall within the framework. The outcome indicates that the organisation is compliant with the following standards:

- Rent
- Tenancy
- Tenant Involvement
- Value for Money
- Home
- Neighbourhood and Communities Standard

One exception has been identified in relation to compliance against the Governance and Viability Standard in relation to the requirement to undertake an annual self assessment against the Code of Governance. Remedial Action plans have been put in place to ensure the annual self assessment against the Code is incorporated within the Board's self assessment as a matter of course. This is scheduled to take place in September 2017, and at year end thereafter as part of the review of the system of internal control.

National Housing Federation Code of Governance self assessment

NHH's self assessment against the NHF Code of Governance indicates overall compliance with its provisions, with one exception, in relation to the requirement to undertake a self assessment annually against the Code.

8 Risk Management process and arrangements

The risk management process has been in place during the course of the financial year and is summarised in the Risk Management Strategy.

The Board reviewed strategic risks on a bi-annual basis, and the Audit and Risk Committee quarterly, with assurance updates feeding to the Board via a Chairs report.

The NHH Board held a series of Risk management workshops during the course of the 2016/17 financial year to aid the formulation of a Corporate Strategy, supported by the delivery of a Risk management strategy and associated risk appetite statement.

The NHH Risk Management Strategy was approved by the Board at the April 2017 Board meeting.
At the same meeting the Board approved a revised and enhanced approach to maintaining risk oversight, through an Assurance Framework, which will now be monitored by the Board on a quarterly basis, at alternate times to the Audit and Risk Committee.

The main purpose of the enhanced Assurance framework is to enhance the Board's role of monitoring the delivery of strategy whilst mitigating risks that are deemed significant enough to pose a threat to its delivery.

The Assurance Framework is particularly pertinent to the development of the maintenance of the system of internal control in that it enables:

- The identification of the risks most likely to inhibit the delivery of specific strategic aims
- Formulation of the year end target risk rating for each risk, taking into account risk appetite, current controls and gaps in controls and assurance
- Ongoing review of action plans and progress made in year in mitigating the risks to an acceptable level
- Proactive risk management; where progress is deemed inadequate or additional actions are required, and then these would be reviewed and proposed ahead of the target risk rating date.

Donations

During the year ended 31 March 2017 the Group donated a total of £85k (2016: £167k) primarily focussing on those agencies that provide support or services to residents within our area of operation.

Statement of the Responsibilities of the Board

The Board is responsible for preparing the Operating and Financial Review and Board Report and the financial statements in accordance with applicable law and regulations.

The Co-operative and Community Benefit Societies Act 2014 and registered social landlord legislation require the Board to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (Financial Reporting Standard 102 and applicable law). Under the Co-operative and Community Benefit Societies legislation, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and income and expenditure of the Group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers Update 2014, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the association will continue in business.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Association and enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014. 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 directors are responsible for the maintenance and integrity of the corporate and financial information included 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.

Post Balance Sheet Events

There are no post balance sheet events to report.

Payment to creditors

The Group estimates on average creditors are paid within 30 days. (2016: 30 days).

Employees

Details of employees are set out in Note 9 of the Financial Statements.

The Board considers that the involvement of staff in all its relevant business activities is essential in providing a high quality service to the Group's tenants and clients. The Group is committed to consulting staff on all aspects of its operations through the management team meetings, staff forum, employee survey, monthly team briefs and through written newsletters and circulars.

The Group operates an equal opportunities policy and has encouraged disabled people to apply for jobs. The Group's policy on training, career development and promotion of disabled people is, as far as possible, identical to that established for other employees and if employees become disabled every effort is made to ensure their continued employment, with appropriate adjustments and training, as necessary. The Group achieved accreditation as an Investor in People in April 2003, was accredited again in 2008 and has been awarded the Silver Level Award in 2011.

Annual General Meeting

The Annual General Meeting will be held on the 5 September 2017.

Disclosure of information to auditors

At the date of making this report each of the Group's board members, as set out on page 3, confirm the following:

- So far as each board member is aware, there is no relevant information needed by the Group's auditors in connection with preparing of their report of which the Group's auditor is unaware.
- Each board member has taken all the steps that one ought to have taken as board members in order to make themselves aware of any relevant information needed by the Group's auditor in connection with preparing their report and to establish that the Group's auditor is aware of that information.

External Auditors

A resolution to tender the appointment of External Audit of the Group will be proposed at the forthcoming Annual General Meeting on 5th September 2017.

Statement of Compliance

In preparing this Operating and Financial Review and Board Report, the Board has followed the principles set out in the SORP 2014 update.

The Operating and Financial Review and Board Report was approved by the Board on the 5th September and signed on its behalf by:

Molly Clark

Martin Nurse
Chair

Molly Clark
Company Secretary

Independent Auditor's Report to North Hertfordshire Homes

We have audited the financial statements of North Hertfordshire Homes Limited for the year ended 31 March 2017 which comprise the consolidated and association statements of comprehensive income, the consolidated and association statements of changes in reserves, the consolidated and association statements of financial position, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland.

This report is made solely to the Society, as a body, in accordance with sections 87(2) and 98(7) of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Society those matters we are required to state to it 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 Society as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on pages 21 and 22, the directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Opinion on financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the parent society's affairs as at 31 March 2017 and of the Group's and the parent society's income and expenditure for the 31 March 2017 then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Comply with the requirements of the Co-operative and Community Benefit Societies Act 2014.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Co-operative and Community Benefit Societies Act 2014 requires us to report to you if, in our opinion:

- the parent society has not kept proper books of account, or a satisfactory system of control over its transactions has not been maintained; or
- the parent society financial statements are not in agreement with the books of account; or
- We have not received all the information and explanations we need for our audit.

Grant Thornton UK LLP

Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Central Milton Keynes
12 September 2017

Consolidated Statement of Comprehensive Income

	Note	2017 Continuing Operations £'000	2017 Discontinued Operations £'000	2017 Total £'000	2016 Continuing Operations £'000	2016 Discontinued Operations £'000	2016 Total £'000
Turnover	3	**70,710**	**-**	**70,710**	83,980	-	83,980
Operating expenditure	3	**(46,266)**	**(110)**	**(46,376)**	(59,902)	(396)	(60,298)
Operating surplus	5	**24,444**	**(110)**	**24,334**	24,078	(396)	23,682
Gain/(loss) on disposal of property, plant and equipment	6	**16**	**-**	**16**	(1,144)	-	(1,144)
Interest receivable	7	**946**	**59**	**1,005**	532	-	532
Interest and financing costs	8	**(11,191)**	**-**	**(11,191)**	(11,257)	-	(11,257)
Movement in fair value of ineffective financial instruments	32	**(11)**	**-**	**(11)**	(218)	-	(218)
		14,204	**(51)**	**14,153**	11,991	(396)	11,595
Taxation	11	**(218)**	**-**	**(218)**	(531)	-	(531)
Surplus for the year		**13,986**	**(51)**	**13,935**	11,460	(396)	11,064
Other comprehensive income							
Actuarial gain in respect of pension schemes	25	**762**	**-**	**762**	1,224	-	1,224
Revaluation of effective financial instruments	32	**(1,992)**	**-**	**(1,992)**	(2,331)	-	(2,331)
Revaluation of investments	16	**370**	**-**	**370**	432	-	432
Total comprehensive surplus for the year		**13,126**	**(51)**	**13,075**	10,785	(396)	10,389

The accompanying notes form part of these financial statements.
The financial statements were approved by the board on 5th September 2017

Molly Clark

Martin Nurse
Chairman

Molly Clark
Company Secretary

Association Statement of Comprehensive Income

	Note	2017 Continuing Operations £'000	2017 Discontinued Operations £'000	2017 Total £'000	2016 Continuing Operations £'000	2016 Discontinued Operations £'000	2016 Total £'000
Turnover	3	**64,277**	**-**	**64,277**	78,713	-	78,713
Operating expenditure	3	**(40,220)**	**(376)**	**(40,596)**	(55,229)	(390)	(55,619)
Operating surplus	5	**24,057**	**(376)**	**23,681**	23,484	(390)	23,094
Gain/(loss) on disposal of property, plant and equipment	6	**16**	**-**	**16**	(1,144)	-	(1,144)
Interest receivable	7	**1,383**	**59**	**1,442**	836	145	981
Interest and financing costs	8	**(11,191)**	**-**	**(11,191)**	(11,257)	-	(11,257)
Movement in fair value of ineffective financial instruments	32	**(11)**	**-**	**(11)**	(218)	-	(218)
Surplus before tax		**14,254**	**(317)**	**13,937**	11,701	(245)	11,456
Taxation	11	**(212)**	**-**	**(212)**	(465)	-	(465)
Surplus for the year		**14,042**	**(317)**	**13,725**	11,236	(245)	10,991
Other comprehensive income							
Actuarial gain in respect of pension schemes	25	**762**	**-**	**762**	1,224	-	1,224
Revaluation of effective financial instruments	32	**(1,992)**	**-**	**(1,992)**	(2,331)	-	(2,331)
Revaluation of investments	16	370	-	370	432	-	432
Total comprehensive surplus for the year		**13,182**	**(317)**	**12,865**	10,561	(245)	10,316

The accompanying notes form part of these financial statements.
The financial statements were approved by the board on 5th September 2017

Molly Clark

Martin Nurse
Chairman

Molly Clark
Company Secretary

Consolidated Statement of Changes in Reserves

	Income and expenditure reserve £'000	Investments revaluation reserve £'000	Financial instrument hedging reserve £'000	Total Total £'000
Balance as at 1 April 2015	48,026	1,059	(30,605)	18,480
Total comprehensive surplus for the year	10,389	-	-	10,389
Revaluation of financial instruments	-	-	(2,331)	(2,331)
Revaluation of investments	-	432		432
Transfer from revaluation reserve to other comprehensive income	1,899	-	-	1,899
Balance at 31 March 2016	60,314	1,491	(32,936)	28,869
Total comprehensive surplus for the year	13,075	-	-	13,075
Revaluation of financial instruments	-	-	(1,992)	(1,992)
Revaluation of investments	-	370	-	370
Transfer from revaluation reserve to other comprehensive income	1,622	-	-	1,622
Balance at 31 March 2017	**75,011**	**1,861**	**(34,928)**	**41,944**

Consolidated Statement of Changes in Reserves

	Income and expenditure reserve £'000	Investments revaluation reserve £'000	Financial instrument hedging reserve £'000	Total Total £'000
Balance as at 1 April 2015	47,367	1,059	(30,605)	17,821
Total comprehensive surplus for the year	10,316	-	-	10,316
Revaluation of financial instruments	-	-	(2,331)	(2,331)
Revaluation of investments	-	432	-	432
Transfer from revaluation reserve to other comprehensive income	1,899	-	-	1,899
Balance at 31 March 2016	59,582	1,491	(32,936)	28,137
Total comprehensive surplus for the year	12,865	-	-	12,865
Revaluation of financial instruments	-	-	(1,992)	(1,992)
Revaluation of Investments	-	370	-	370
Transfer from revaluation reserve to other comprehensive income	1,622	-	-	1,622
Balance at 31 March 2017	**74,069**	**1,861**	**(34,928)**	**41,002**

Consolidated and Association Statement of Financial Position

	Note	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Fixed assets					
Intangible fixed assets	12	**321**	254	**321**	254
Tangible fixed assets – housing	13	**355,666**	361,110	**355,666**	361,110
Tangible fixed assets – other	14	**4,909**	5,971	**4,909**	5,971
Investment properties	15	**1,700**	1,150	**1,175**	1,150
Investments	16	**7,505**	7,136	**7,505**	7,136
Investment in subsidiaries		**-**	78	-	135
		370,101	375,699	**369,576**	375,756
Current assets					
Properties held for sale	17	**27,752**	31,487	**15,544**	19,091
Stock		**112**	128	**112**	128
Trade and other debtors	18	**2,269**	1,980	**13,897**	13,208
Cash and other cash equivalents		**44,031**	19,484	**43,884**	19,434
		74,164	53,079	**73,437**	51,861
Creditors: amounts falling due with one year	19	**(16,229)**	(19,187)	**(15,919)**	(18,758)
Net current assets		**57,935**	33,892	**57,518**	33,103
Total assets less current liabilities		**428,036**	409,591	**427,094**	408,859
Creditors: amounts falling due after more than one year	20	**(385,776)**	(379,744)	**(385,776)**	(379,744)
Provision for liabilities					
- Pension liability	25	**(316)**	(978)	**(316)**	(978)
Total net assets		**41,944**	28,869	**41,002**	28,137
Reserves					
Income and expenditure reserve		**75,011**	60,314	**74,069**	59,582
Investments revaluation reserve		**1,861**	1,491	**1,861**	1,491
Financial instrument hedging reserve		**(34,928)**	(32,936)	**(34,928)**	(32,936)
Total reserves		**41,944**	28,869	**41,002**	28,137

The accompanying notes form part of these financial statements. The financial statements were approved by the board on 5th September 2017.

Molly Clark

Martin Nurse
Chairman

Molly Clark
Company Secretary

North Hertfordshire Homes **Company number: 30003R**

Consolidated Statement of Cash Flows

	Note	2017 £'000	2016 £'000
Net cash generated from operating activities	27	**38,424**	**37,635**
Cash flow from investing activities			
Purchase of construction and improvements of housing properties	13	(7,430)	(21,564)
Purchase of other fixed assets	12 & 14	(499)	(606)
Proceeds from sale of tangible fixed assets	6	4,970	3,877
Grants received	21	722	1,258
Interest received		315	139
Corporation tax		(620)	(424)
Net cash outflow from investing activities		**(2,541)**	**(17,320)**
Cash flow from financing activities			
Interest paid		(11,335)	(11,492)
Total cash outflow from financing activities		**(11,335)**	**(11,492)**
Net change in cash and cash equivalents		**24,547**	**8,823**
Cash and cash equivalents at beginning of the year		**19,484**	**10,661**
Cash and cash equivalents at the end of the year		**44,031**	**19,484**

The accompanying notes form part of these financial statements.

Notes to the financial statements

1 Legal Status

The association is registered under the Cooperative and Community Benefit Society Act 2014 and is a registered housing association. Company number: 30003R.

Principal activities

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

North Hertfordshire Homes Limited has one subsidiary Rowan Homes (NHH) Limited which is a registered company developing new houses for sale. Allunite Limited was sold in September 2016.

2 Accounting Policies

The financial statements of the Group and association are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and 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.

NHH is a public benefit entity in accordance with FRS102.
The financial statements are presented in Sterling (£).

The individual accounts of NHH have also adopted the following disclosure exemptions:

- The requirement to present a statement of cash flows and related notes
- Financial instrument disclosures, including:
  - Categories of financial instruments;
  - Items of income, expenses, gains or losses relating to financial instruments; and
  - Exposure and management of financial risks.

Basis of consolidation

The Group accounts consolidate the accounts of the association and all its subsidiaries at 31 March using the acquisition method.

Investment in subsidiaries

The consolidated financial statements incorporate the financial statements of the association and entities (including special purpose entities) controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in total comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent. All intra-Group transactions, balances, income and expenses are eliminated in full consolidation.

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements.

Notes to the financial statements

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the strategic report. The Group has in place long-term debt facilities, which provide adequate resources to finance the committed reinvestment and development programme, along with the Group's day to day operations. The Group also has a long-term business plan, which shows that it is able to service these debt facilities whilst continuing to comply with lenders' covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in 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

In determining the carrying amounts of certain and assets and liabilities the Group makes assumptions of the effects of uncertain future events. The Group's estimates and assumptions are based on historical experience and the expectation of future events. The items in the financial statements where these judgements and estimates have been made include:

- Fair value of financial instruments - Interest rate swap contracts allow the company to swap the prevailing three month LIBOR rate of interest for a fixed rate, on a defined level of principal. The Company has three of these contracts, which are independently measured at fair value. The fair value is used in the accounts and is derived from the difference between the fixed and variable rate and discounted across the relevant period of the yield curve. Note 32 details the financial instruments.
- Defined benefit pension scheme - actuarial assumptions have been made in determining the valuation. Note 24 details the assumptions used.
- Tax - determining the corporation tax provision requires the judgement of the tax treatment of transactions into exempt or taxable due to charitable status.
- Assessment of loans as basic - assessing the loans as basic required judgements based on the loan agreements. The conclusion being that our loans are treated as basic.

Capitalisation of property development costs

The Association maintains regular development updates with management and board members of which they monitor all pipeline costs to distinguish the point at which a project is more likely than not to continue. This allows capitalisation of associated development costs and requires judgement. After capitalisation, management monitor the asset and consider whether changes indicate that impairment is required. The total amount capitalised in the year was £7.5m relating to the following schemes:

Lloyd Way, Kimpton	£1m
Fairlight Close and Ditchmore Lane	£1.6m
Choristers Court	£2.8m
Ashfield Drive	£2.1m

Supporting people

Management judgement is applied in determining the extent to which the risks and benefits are transferred to the association when considering income to be recognised. £379k of supporting people income was recognised in the year (2016: £379k).

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

Notes to the financial statements

Significant judgements (continued)

Useful lives of depreciable assets

Management reviews its estimate of the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software IT equipment and changes to the Decent Homes Standard, which may require frequent replacement of key components. Accumulated depreciation at 31 March 2017 was £69.4m (2016: £60.5m). This is detailed in Note 13.

Defined benefit obligation (DBO)

Management's 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 25). The liability as 31 March 2017 was £316k (2016: £978k).

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments including loans and derivatives (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. 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. Fair value measurements were applied to one loan, which included options. The total value of this instrument was £51m at 31 March 2017 (2016: £49m). This is detailed in Note 32.

Turnover and revenue recognition

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

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 receivable when the conditions for receipt of agreed grant funding have been met. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with administering authorities.

Deferred taxation

Deferred tax is recognised in respect of all timing differences as the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be removed against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed.

Deferred tax is recognised when income or expenses from subsidiary or associate have been recognised, and will be assessed for tax in a future period, except where:

- the Group is able to control the reversal of the timing difference; and
- it is probable that the timing difference will not reverse in the foreseeable future.

A deferred tax liability or asset is recognised for the additional tax that will be paid or avoided in respect of assets and liabilities that are recognised in a business combination. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

Notes to the financial statements

Deferred taxation (continued)

Deferred tax relating to the investment properties that are measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset. Except for investment properties that have a limited useful life and is held in a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time.

Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in profit or loss, other comprehensive income or equity depending on the transaction that resulted in the tax expense (income).

Deferred tax liabilities are presented within provisions for liabilities and deferred tax assets within debtors. Deferred tax assets and deferred tax liabilities are offset only if:

- the Group has legally enforceable right to set off current tax assets against current tax liabilities, and
- the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entries which intend either to settle current tax liabilities and assets on net basis, or to realise the assets and settle the liabilities simultaneously.

Value added tax

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

Interest payable

Interest is capitalised on borrowings to finance the development of qualifying assets to the extent that it accrues in respect of the period of development if it represents:

- interest on borrowing specifically financing the development programme.
- a fair amount of interest on borrowings of the association as a whole.

Other interest payable is charged to statement of comprehensive income in the year.

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.

Non-basic financial instruments include all non-basic debt instruments and derivatives, such as: interest rate swaps. All are recognised in the statement of financial position and measured as fair value through the surplus or deficit. At each period end the instrument is revalued to fair value with the movement posted to statement of comprehensive income, with the exception of those financial instruments for which hedge accounting is applied. The movement on financial instruments where hedge accounting is applied is reflected in the statement of changes in reserves.

Notes to the financial statements

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

Employee benefits

Short-term employee benefits and contributions to defined contribution plans are recognised as an expense in the period in which they are incurred.

Pensions

Defined benefit pension scheme

The Group operates a defined benefit pension scheme (LGPS) contracted out of The State Scheme for employees who were transferred under TUPE from the NHDC. The pension scheme, which is closed to new employees, is valued every three years by a professionally qualified independent actuary, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rate.

For the LGPS, assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other net assets on the balance sheet. A net surplus is recognised only to the extent that is recoverable by the Group through reduced contributions or through refunds from the plan.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are recognised in the current reporting period. Interest is calculated on the net defined benefit liability. Re-measurements are reported in other comprehensive income.

Money purchase scheme

The Group also operates a stakeholder's money purchase scheme for new employees hired after the 1st April 2003. Pension costs are based on a fixed percentage of the employee's salary according to the age of the employee and are accounted for by charging the cost to the income statement

Housing properties

Housing properties are properties held for the provision of social housing or to otherwise provide social benefit. Housing properties are principally properties available for rent and are stated at cost less depreciation.

Completed housing and shared ownership properties are stated at cost, less subsequent accumulated depreciation and accumulated impairment losses. Impairment reviews are made with sufficient regularity to ensure the carrying amount does not materially differ from the fair value or the properties at year end.

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

Notes to the financial statements

Housing properties (continued)

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, thereby enhancing the economic benefits of the assets, are capitalised as improvements.

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

Community benefit agreement

A community benefit agreement exists between the Group and North Hertfordshire District Council to record the surpluses on sales of assets that were part of the original stock transfer and the savings made under the VAT plan that had been approved by HM Revenues and Customs. A contracted sum which is indexed linked to RPI for the current year is recognised as income to NHH, the remaining proceeds is recycled to the Fund.

Donated land and other assets

Land and other assets donated by local authorities and other government sources added to cost as the fair value of the land at the time of the donation. Where the land is not related to a specific development and is donated by a public body an amount equivalent to the increase in value between fair value and consideration paid is treated as non-monetary grant and recognised on the statement of financial position as a liability. The terms of the donation are deemed to be performance related conditions. Where the donation is from a non-public source, the value of the donation is included as income.

Investment properties

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.

Government grants

Government grants include grants receivable from the Homes and Communities Agency (the HCA), local authorities, and other government organisations. 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 liability. For Social Housing Grant this means the grant is recognised as revenue on completion of the property.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Government grants received for housing properties are subordinated to the repayment of loans by agreement with the HCA. Government grants released on sale of a property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors.

If there is no requirement to recycle or replay 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. Upon disposal of the associated property, if the Group is required to recycle grant proceeds it is recognised as a liability.

Notes to the financial statements

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified 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 criteria are satisfied is recognised as a liability.

Intangible fixed assets

Software is treated as an Intangible fixed asset and is amortised 25% on a straight line basis.

Depreciation of housing properties

The Group separately identifies the major components which comprise its housing properties, and charges depreciation, so as to write-down the cost of each component to its estimated residual value, on a straight line basis, over its estimated useful economic life.

The Group depreciates the major components of its housing properties at the following annual rates:

Structure	1%
Roofs	1.67%
Kitchens	5%
Bathrooms	3.33%
Boilers	6.67%
Windows and doors	3.33%
Mechanical systems (heating plumbing, ventilation)	3.33%
Garages	2%

Freehold land is not depreciated.

Leasehold properties are amortised over the life of the lease or their estimated useful economic lives in the business, if shorter.

Impairment

Annually housing properties are assessed for impairment. Where indicators are identified an assessment for impairment is undertaken comparing the assets carrying amount to its recoverable amount. Where the carrying amount of an asset is deemed to exceed its recoverable amount, the asset is written down to its recoverable amount, this is likely to be the value in use of the asset based in its service potential. The resulting impairment loss is recognised as expenditure in income and 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.

Other tangible fixed assets

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

Freehold buildings	2%
Long leasehold property	Over life of lease
Furniture, fixtures and fittings	10%
Computers and office equipment	25%
Motor vehicles	25%

Notes to the financial statements

Other tangible fixed assets (continued)

Gains or losses arising on the disposal of other tangible fixed assets are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised as part of the surplus/deficit for the year.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Group. All other leases are classified as operating leases.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the Group recognises annual rent expenses equal to amounts owed to the lessor.

The aggregate benefit of lease incentives is recognised as a reduction to the expenses recognised over the lease term on a straight line basis.

Properties for sale

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

Hedge reserve

On revaluing the derivatives, the derivatives are split into effective derivatives, which are debited to the revaluation reserve, and ineffective derivatives, which are transferred to the statement of comprehensive income.

Pension reserve

An actuarial valuation is received for the LGPS defined benefit pension scheme, the liability is recognised in the statement of financial position and the movement of the liability is transferred to the pension reserve.

Investment reserve

A valuation is received on the Group's investments; the movement on the valuation is recognised in the investments revaluation reserve.

Notes to the financial statements

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

3a Group – continuing activities

	Turnover	Cost of sales	2017 Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	**52,114**	**(13,060)**	**(18,512)**	**20,542**
Other social housing activities				
Current asset property sales	**2,844**	**(2,030)**	**(189)**	**625**
Charges for support services	**1,365**	**(427)**	**-**	**938**
Supporting people	**379**	**(58)**	**-**	**321**
Other	**1,992**	**(38)**	**(151)**	**1,803**
	6,580	**(2,553)**	**(340)**	**3,687**
Non-social housing activities	**12,016**	**(9,815)**	**(2,096)**	**105**
	70,710	**(25,428)**	**(20,948)**	**24,334**

	Turnover	Cost of sales	2016 Operating expenditure	Operating surplus
	£'000	£'000	£'000	£'000
Social housing lettings	51,519	(15,504)	(18,127)	17,888
Other social housing activities				
Current asset property sales	1,920	(1,535)	(262)	123
Charges for support services	1,206	(1,163)	-	43
Supporting people	380	(404)	-	(24)
Other	2,254	(246)	(220)	1,788
	5,760	(3,348)	(482)	1,930
Non-social housing activities	26,701	(20,198)	(2,639)	3,864
	83,980	(39,050)	(21,248)	23,682

Notes to the financial statements

3 Particulars of turnover, cost of sales, operating costs and operating surplus (continued)

3a Association – continuing activities

	Turnover	Cost of sales	2017 Operating expenditure	Operating surplus
	£'000	£'000	£'000	
Social housing lettings	**52,114**	**(13,060)**	**(18,512)**	**20,542**
Other social housing activities				
Current asset property sales	**2,844**	**(2,030)**	**(189)**	**625**
Charges for support services	**1,365**	**(427)**	**-**	**938**
Supporting people	**379**	**(58)**	**-**	**321**
Other	**1,992**	**(38)**	**(151)**	**1,803**
	6,580	**(2,553)**	**(340)**	**3,687**
Non-social housing activities	**5,583**	**(4,591)**	**(1,540)**	**(548)**
	64,277	**(20,204)**	**(20,392)**	**23,681**

	Turnover	Cost of sales	2016 Operating expenditure	Operating surplus
	£'000	£'000	£'000	
Social housing lettings	51,519	(15,504)	(18,127)	17,888
Other social housing activities				
Current asset property sales	1,920	(1,535)	(262)	123
Charges for support services	1,206	(1,163)	-	43
Supporting people	380	(404)	-	(24)
Other	2,254	(246)	(220)	1,788
	5,760	(3,348)	(482)	1,930
Non-social housing activities	21,434	(15,835)	(2,323)	3,276
	78,713	(34,687)	(20,932)	23,094

Notes to the financial statements

3b Particulars of income and expenditure from social housing lettings Group and Association

	General needs housing £'000	Supported housing and housing for older people £'000	Temporary social housing £'000	Low cost home ownership £'000	2017 Total £'000	2016 Total £'000
Rent receivable net of identifiable service charges	41,343	3,798	696	624	46,461	46,453
Service charge income	585	498	58	312	1,453	814
Other revenue income	2,881	677	91	1	3,650	3,548
Amortised government grants	484	10	13	34	541	559
Government grants taken to income	9	-	-	-	9	145
Turnover from social housing lettings	45,302	4,983	858	971	52,114	51,519
Management	(5,176)	(3,114)	(292)	(218)	(8,800)	(8,959)
Service charge costs	(3,958)	(1,130)	(205)	(74)	(5,367)	(5,417)
Routine maintenance	(1,952)	(191)	-	(18)	(2,161)	(2,268)
Planned maintenance	(1,215)	(133)	-	-	(1,348)	(5,413)
Major repairs expenditure	(161)	(128)	-	-	(289)	(664)
Bad debts	(64)	(12)	(20)	-	(96)	(185)
Depreciation of housing propertie	(7,615)	(763)	(81)	-	(8,459)	(8,230)
Other costs	(3,688)	(1,063)	(122)	(179)	(5,052)	(2,495)
Operating costs on social housing lettings	(23,829)	(6,534)	(720)	(489)	(31,572)	(33,631)
Operating surplus on social housing lettings	21,473	(1,551)	138	482	20,542	17,888
Void losses	258	64	95	5	422	577

Notes to the financial statements

3c Particulars of turnover from non-social housing lettings

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Market Sales	**14,951**	26,281	**5,033**	21,014
Vehicle Workshop	**37**	112	**37**	112
Solar Panel Income	**401**	302	**401**	302
Investment Property Income	**124**	-	**109**	
Other	**3**	6	**3**	6
	15,516	26,701	**5,583**	21,434

4 Accommodation in management and development

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

	Group 2017 No of properties	Group 2016 No of properties	Association 2017 No of properties	Association 2016 No of properties
Social Housing				
General housing:				
- social rent	**7,335**	7,323	**7,335**	7,323
- affordable rent	**21**	-	**21**	-
Supported housing for older people	**769**	794	**769**	794
Low cost home ownership	**230**	212	**230**	212
Temporary social housing	**108**	163	**108**	163
Leased housing properties	**580**	573	**580**	573
Other	**2,918**	2,918	**2,918**	2,918
Total owned	**11,961**	11,983	**11,961**	11,983
Accommodation managed for others	-	-	-	-
Total managed	**11,961**	11,983	**11,961**	11,983
Accommodation in development at year end	**79**	93	**79**	93

The Group owns seven supported housing units (2016: seven) that are managed on its behalf, under management agreements, by other bodies who contract with Supporting People Administering Authorities and carry the financial risk relating to the supported housing units.

Other includes garages and commercial units transferred to the association on stock transfer; these are rented at less than a commercial rent and therefore held as social assets.

Notes to the financial statements

5 Operating surplus

The operating surplus is arrived after charging/ (crediting):

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Depreciation of housing properties	**8,452**	8,230	**8,452**	8,230
Impairment of investment property (note 15)	**300**	382	**175**	382
Impairment of Assets (note 14)	**468**	-	**468**	-
Other Impairment	**87**	-	**87**	-
Impairment of investment (note 16)	**125**	388	**-**	388
Depreciation of intangible Assets	**124**	86	**124**	86
Depreciation of other tangible fixed assets	**662**	553	**662**	553
(Loss)/profit on disposal of other tangible fixed assets	**(25)**	116	**(25)**	116
Amortisation on Capital Grants	**(541)**	(559)	**(541)**	(559)
Operating lease rentals				
- land buildings	**2**	31	**2**	31
- office equipment and computers	**35**	31	**35**	31
Auditors' remuneration (excluding VAT)				
- Fees payable to the Association's auditors for the audit of financial statements	**33**	29	**33**	29
- Fees payable to the Association's auditors for other services: Service charge review and loan covenant compliance	**5**	5	**5**	5
- Audit of the financial statements subsidiaries	**4**	7	**-**	-
Total audit services	**42**	41	**38**	34

6 Gain/(loss) on sale of fixed assets – housing properties

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Disposal proceeds	**4,970**	3,877	**4,970**	3,877
Carrying value of fixed assets	**(2,179)**	(1,507)	**(2,179)**	(1,507)
	2,791	2,370	**2,791**	2,370
Capital grant recycled (see note 22)	**(231)**	(98)	**(231)**	(98)
Disposal proceeds fund (note 23)	**(2,418)**	(1,580)	**(2,418)**	(1,580)
(Loss) on Sale of Other Fixed Assets	**(126)**	(1,836)	**(126)**	(1,836)
	16	(1,144)	**16**	(1,144)

7 Interest receivable and other income

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Interest receivable on deposits	**28**	20	**28**	20
Intercompany interest	**-**	-	**437**	449
Interest received on investment bonds	**457**	116	**457**	116
Other Interest Received	**520**	396	**520**	396
	1,005	532	**1,442**	981

Notes to the financial statements

8 Interest and financing costs

	Group		Association	
	2017	2016	**2017**	
	£'000	£'000	**£'000**	£'000
Defined benefit pension charge	**(466)**	(458)	**(466)**	(458)
Loans and bank overdrafts	**(11,323)**	(11,572)	**(11,323)**	(11,572)
Interest payable capitalised on housing properties under construction	**598**	773	**598**	773
	(11,191)	(11,257)	**(11,191)**	(11,257)
Capitalisation rate used to determine the finance costs capitalised during the period	**3.9%**	3.9%	**3.9%**	3.9%

9 Employees

Average monthly number of employees expressed as full time equivalents (calculated based on a standard working week of 37.5hrs):

Group and Association – Average number

	2017	**2017**	2016	2016
	No.	**FTE.**	No.	FTE
Business Support	**41**	**39**	74	61
Housing	**32**	**45**	62	49
Direct Labour	**68**	**65**	86	75
Care 95	**74**	**100**	58	
Channel and Communications	**19**	**18**	43	36
Development	**10**	**9**	10	8
Non Executive	**10**	**10**	10	10
	275	**260**	385	297

The Group have undergone a restructure of departments, which in turn has reflected on the comparative data.

The full time equivalent number of staff who received remuneration (excluding directors):

	2017	2016
	No.	No.
£60,001 to £70,000	**4**	5
£70,001 to £80,000	**4**	4

Employee costs:

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Wages and salaries	**8,285**	10,048	**8,285**	10,048
Social security costs	**784**	951	**784**	951
Other pension costs	**577**	831	**577**	831
	9,646	11,830	**9,646**	11,830
Restructuring costs	**-**	1,163	**-**	1,163
	9,646	12,993	**9,646**	12,993

Notes to the financial statements

9 Employees (continued)

The Association's employees are members of the Local Government Pension Scheme (LGPS) or the General Stakeholder Scheme. Further information on each scheme is given note 25.

10 Board members and Executive Directors

Executive directors

	Basic £'000	Benefits £'000	Loss of £'000	Employer's £'000	Employer's £'000	2017 Total £'000	2016 Total £'000
Chief Executive Gavin Cansfield	140	1	-	17	18	176	165
Executive Director of Finance and Resources Alan Park	120	7	50	15	16	208	174
Executive Director of Homes and Customer Experience Shaun Holdcroft	106	-	-	4	13	123	-
Directors Resigned last year	-	-	-	-	-	-	390
	450	9	50	38	58	605	729

The Group conclude that the executives are the key management personnel; the total cost for the personnel is £507k (2016: £729k). Other key personnel of the organisation include the Director oF New Business, Director of Human Resources, Director of Housing, Director of Compliance, Risk, Health & Safety and Director of Resources. The cost of these personnel was £299k.

During the year, an amount of £62,478 (2016: £23,400) was paid to Housing Association Charitable Trust (HACT), which is a charity, of which Gavin Cansfield is the Chair of the Board. NHH works with HACT on a range of initiatives to support the organisations development during challenging times for the sector. Work includes assistance to the Board in designing an appropriate housing future that will support us to recognise the needs and aspirations of our customers and the neighbourhoods in which we work. HACT have provided assistance in strategic planning and have assisted us to develop community investment activities that go beyond our core responsibilities to our direct customers. Gavin Cansfield received no financial benefit from these transactions.

The Executive Director of Finance and Resources left on the 31 March 2017, a payment was made of £50k for loss of office.

The Group paid £45,190 (2016: £63,814) to New Edge for making available the services of Ed Barnes as acting Director of Property and Development.

The emoluments of the highest paid director, the Chief Executive excluding pension contributions, was £140,000 (2016: Executive Director of Finance and Resources £120,829).

Notes to the financial statements

10 Board members and executive directors (continued)

Board members

	2017 Total £'000s	2016 Total £'000s
Chair of Board		
Martin Nurse	**13**	13
Vice Chair		
Peter Lipman	**9**	9
Chair of Committee		
Philip Day	**7**	7
Board Members		
Douglas Kell	**-**	3
David Barnard	**5**	5
William Davidson	2	5
Jaqueline Thomas	**-**	2
Marie Li Mow Ching	**9**	7
Howard Marshall	**-**	2
Colin Chivers	**-**	1
David Pickering	**-**	3
Christine Anthony	**5**	5
Stacey Brewer	**5**	5
Jane Gray	**5**	1
Victor Dove	**3**	2
Katherine Vowels	**3**	-
	66	70

Remuneration in respect of:	2017 Total £'000s	2016 Total £'000s
Board duties	**66**	70
	66	70

Remuneration is payable at the following annual rates:	2017 £	2016 £
Chair of the Board	**12,600**	12,600
Vice Chair	**9,000**	9,000
Chair of the Committee	**7,000**	7,000
Other Board Members	**5,000**	5,000
Chair of Rowan Homes	**4,000**	4,000
Other Rowan Homes Board Members	**1,600**	1,600

Notes to the financial statements

11 Tax on surplus on ordinary activities

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Current tax				
UK corporation tax on surplus for the year	**(74)**	(586)	**(60)**	(520)
Adjustments in respect of prior years	**(144)**	55	**(152)**	55
	(218)	(531)	**(212)**	(465)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2016: 20%). The differences are explained as follows:

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Total tax reconciliation				
Surplus on ordinary activities before tax	**14,153**	11,595	**13,937**	11,456
Theoretical tax at UK corporation tax rate 19% (2016:20%)	**2,689**	2,319	2,648	2,291
- tax on other comprehensive income items	**164**	135	**164**	135
- depreciation on non-qualifying assets	**(1,703)**	(1,774)	**(1,703)**	(1,774)
- Amortisation on Grants	**103**	112	**103**	112
- other non-deductible expenditure	**(240)**	(44)	**(216)**	(44)
- on charitable activities not taxable	**(1,375)**	(1,224)	**(1,360)**	(1,130)
- adjustments to tax charge in respect of prior periods	**144**	(55)	**152**	(55)
Total tax charge	**(218)**	(531)	**(212)**	(465)

During the year, the UK corporation tax rate was decreased. Following Budget 2016 announcements there will be a further reduction in the main rate on corporation tax to 17% from 1 April 2020.

12 Intangible fixed assets

	Software £'000
Cost	
As at 1 April 2016	455
Additions	191
As at 31 March 2017	646
Depreciation	
As at 1 April 2016	(201)
Charge for the year	(124)
As at 31 March 2017	(325)
Net Book Value 2017	**321**
Net Book Value 2016	254

Notes to the financial statements

13 Fixed assets – housing properties

Group & Association – housing properties

	Social housing properties held for letting £'000	Housing properties for letting under construction £'000	Completed shared ownership housing properties £'000	Shared ownership housing properties under construction £'000	Total housing properties £'000
Cost					
At 1 April 2016	374,965	12,003	29,027	3,218	419,213
Additions	-	3,543	-	1,741	5,284
Reclassifications	8,764	-	(8,764)	-	-
Reclassification of work in progress to assets under construction	-	240	-	-	240
Works to existing properties – Additions	2,090	-	-	-	2,090
Interest capitalised	-	598	-	-	598
Schemes completed	5,453	(5,453)	2,049	(2,049)	-
Disposals	(1,096)	(2,290)	(2,119)	-	(5,505)
At 31 March 2017	390,176	8,641	20,193	2,910	421,920
Depreciation and impairment					
At 1 April 2016	(58,103)	-	-	-	(58,103)
Depreciation charged in year	(8,452)	-	-	-	(8,452)
Released on disposal	301	-	-	-	301
At 31 March 2017	(66,254)	-	-	-	(66,254)
Net book value					
At 31 March 2017	**323,922**	**8,641**	**20,193**	**2,910**	**355,666**
At 31 March 2016	316,862	12,003	29,027	3,218	361,110

The properties are valued at each year end externally by Jones Lang LaSalle using EUVSH valuation method. This valuation does not include uncharged properties.

	2017 £'000's	2016 £'000's
Valuation	**516**	519

Group and Association	**2017 £'000**	2016 £'000
Improvements & component works capitalised	**2,090**	6,528
Amounts charged to income and expenditure	**4,234**	8,795
	6,324	15,323

Total accumulated Social Housing assistance	Group		Association	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Received or receivable at 31 March	**48,651**	48,998	**48,651**	48,998
Recognised in the statement of comprehensive income	**(2,695)**	(1,060)	**(2,695)**	(1,060)
Held as deferred income	**45,956**	47,938	**45,956**	47,938

Notes to the financial statements

13a Expenditure on works to existing properties

Finance costs

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Aggregate amount of finance costs included in the cost of housing properties	**4,695**	4,097	**4,695**	4,097

Impairment

The Group considers individual schemes to be separate Cash Generating Units (CGU'S) when assessing for impairment, in accordance with the requirements of Financial Reporting Standard 102 and Statement of Recommended Practices 2014.

14 Tangible fixed assets - other

	Group and association					
	Freehold offices £'000	Long leasehold property £'000	Computers and office equipment £'000	Furniture, fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 April 2016	3,285	2,786	967	299	851	8,188
Additions	-	-	52	14	1	67
Impairment	-	(468)	-	-	-	(468)
Disposals	-	-	-	-	(29)	(29)
At 31 March 2017	3,285	2,318	1,019	313	823	7,758
Depreciation						
At 1 April 2016	(550)	(615)	(613)	(65)	(374)	(2,217)
Charged in the year	(60)	(54)	(166)	(26)	(205)	(511)
Impairment of Rowan House	-	(151)	-	-	-	(151)
Released on disposal	-	-	-	-	30	30
At 31 March 2017	(610)	(820)	(779)	(91)	(549)	(2,849)
Net book value						
At 31 March 2017	**2,675**	**1,498**	**240**	**222**	**274**	**4,909**
At 31 March 2016	2,735	2,171	354	234	477	5,971

15 Investment properties non-social housing properties held for letting

Investment properties were valued as at 31 March 2017. The Group's investment properties have been valued by Stuart King from Davies King professional external valuers. The full valuation of property was undertaken in accordance with the Appraisal and Valuation Manual of the Royal Institute of Chartered Surveyors as follows:

	Group		Association	
	2017	2016	**2017**	2016
	£'000s	£'000s	**£'000s**	£'000s
At 1 April	**1,150**	-	**1,150**	-
Addition	**850**	1,532	**200**	1,532
Decrease in value	**(300)**	(382)	**(175)**	(382)
At 31 March	**1,700**	1,150	**1,175**	1,150

Notes to the financial statements

15 Investment properties non-social housing properties held for letting (continued)

During the financial year the group purchased two residential properties to enhance development opportunities, these have since been rented as market rent properties with the intention to sell once the development opportunities have materialised.

16 Investments

Investment	2017 £'000s	2016 £'000s
At 1 April	**7,136**	6,699
Increase in valuation	**370**	437
At 31 March	**7,506**	7,136

The investments are charged as security for the Groups £86.3m bond with Harbour Funding Plc and are held by Royal Trust Corporation of Canada, the bond trustee on behalf of the Group. The investments were revalued at 31 March 2017 and are recorded in the accounts at the market value £7,506k at that date (2016: £7,136k).

Investment in Subsidiaries

As required by statute, the financial statements consolidate the results of North Hertfordshire Homes Limited and Rowan Homes (NHH) Limited (Company Number: 07635808) which was a subsidiary of the Association at the end of the year, registered in England and Wales. The Association has the right to appoint members to the Board of the subsidiary and thereby exercises control.

Rowan Homes (NHH) Limited is trading as a developer of residential properties for sale and is a non-regulated entity. The company is not a registered social landlord. NHH is the ultimate parent undertaking.

Rowan Homes (NHH) Limited

NHH, a regulated entity, owns all £100 of the issued share capital. During the year the Company had the following intra-Group transaction with:

Rowan Homes (NHH) Limited	2017 £'000s	2016 £'000s	Allocation basis
Development costs	**(10,135)**	(5,952)	Cost
Interest	**(444)**	(624)	4.11% (2016: 4.28%) on loan balance
Overheads	**(556)**	(1,287)	Sq. Meterage
Investment property	**(525)**	-	
	11,660	(7,863)	

These amounts relate to all costs and salaries incurred for Rowan Homes' specific schemes. 47% (2016: 58%) was recharged to NHH from Rowan Homes, to cover the cost of management of the development of social properties by Rowan Homes for NHH.

Allunite Limited

During the financial year the group sold Allunite Limited, a 100% wholly owned subsidiary of NHH for £3.5m. The investment for Allunite in the association's accounts was £125k; this has been impaired in full in the year ending 31 March 2017. The loss on disposal was £51k for the group and £317k for the association.

Notes to the financial statements

17 Properties for sale

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Shared ownership first tranche development				
Work in progress	**2,611**	2,016	**2,611**	2,016
Properties developed for outright sale				
Completed properties	**15,352**	1,123	**8,479**	1,123
Work in progress	**4,875**	23,012	**443**	12,700
Land acquired for development	**4,914**	5,336	**4,011**	3,252
	27,752	31,487	**15,544**	19,091

18 Debtors

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Due within one year				
Rent and service charges receivable	**1,666**	1,696	**1,666**	1,696
Less: provision for bad and doubtful debts	**(851)**	(844)	**(851)**	(844)
	815	852	**815**	852
Amounts due from Group undertakings	-	-	**11,660**	11,228
Other debtors	**606**	208	**574**	208
Prepayments and accrued income	**848**	920	**848**	919
	2,269	1,980	**13,897**	13,208

The intra-Group balances are loans made to Rowan Homes (NHH) Limited and Allunite Limited (note 16); they are charged interest at 4.11%. The final repayment date of the loan is the 23 May 2019 and is repayable by the borrower upon the demand of the lender at any time or as otherwise agreed between the borrower and the lender.

19 Creditors: amounts falling due within one year

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Debt (note 24)	-	2,000	**-**	2,000
Derivative fair value	-	2,712	**-**	2,712
Trade creditors	**1,096**	1,332	**1,096**	1,332
Rent and service charges received in advance	**1,280**	1,137	**1,280**	1,137
Other capital grants received in advance (note 23)	**8,002**	5,517	**8,002**	5,517
Deferred capital grant (note 21)	**550**	553	**550**	553
Corporation tax	**10**	470	-	521
Other taxation and social security	**222**	186	**222**	186
Unpaid contributions for retirement benefits	**69**	76	**69**	76
Other creditors	**78**	61	**76**	61
Accruals and deferred income	**4,922**	5,143	**4,624**	4,663
	16,229	19,187	**15,919**	18,758

Other grants received in advance will be utilised against capital expenditure.

Notes to the financial statements

20 Creditors: amounts falling due after more than one year

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
Debt (note 24)	**287,137**	285,137	**287,949**	285,137
Derivative fair value	**50,894**	46,178	**50,894**	46,178
Recycled capital grant fund (note 22)	**455**	224	**455**	224
Deferred capital grant fund (note 21)	**45,406**	47,385	**45,406**	47,385
Deferred income	**1,884**	820	**1,072**	820
	385,776	379,744	**385,776**	379,744

21 Deferred Capital Grant

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
At 1 April	**47,938**	47,740	**47,938**	47,740
Grant received in the year	**713**	1,258	**713**	1,258
Released to income in the year	**(2,695)**	(1,060)	**(2,695)**	(1,060)
At 31 March	**45,956**	47,938	**45,956**	47,938

22 Recycled capital grant fund

	Group 2017 £'000	Group 2017 £'000	Association 2017 £'000	Association 2017 £'000
At 1 April	**225**	127	**225**	127
Grants recycled	**231**	98	**231**	98
At 31 March	**456**	225	**456**	225

Of the amounts noted, none are considered to be due for repayment.

23 Disposal Proceeds Fund – Community Benefit Fund

	Group 2017 £'000	Group 2016 £'000	Association 2017 £'000	Association 2016 £'000
At 1 April	**5,517**	3,937	**5,517**	3,937
Net sales proceeds recycled	**2,418**	1,580	**2,418**	1,580
Withdrawals	**67**	-	**67**	-
At 31 March	**8,002**	5,517	**8,002**	5,517

No withdrawals for the fund were made in 2017 (2016: none).

Notes to the financial statements

24 Debt analysis

Borrowings

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Due less than one year				
Bank Loans	**-**	2,000	**-**	2,000
Due after more than one year				
Bank loans	**191,300**	189,300	**191,300**	189,300
Harbour Funding Plc. 5.28% Bond 2044	**86,336**	86,336	**86,336**	86,336
GBSH Bond	**10,000**	10,000	**10,000**	10,000
	287,636	287,636	**287,636**	287,636
Less issue costs	**(499)**	(499)	**(499)**	(499)
Total loans	**287,137**	287,137	**287,137**	287,137

Security

The bank loans and bonds are secured by fixed charges on individual properties.

Terms of repayment and interest rates

The bank loans are repayable in instalments from 2018 to 2044, floating rates based on monthly LIBOR plus a margin between 33bpts and 210bpts.

The bonds are repayable in 2038 and 2044, at fixed rates of interest of 5.18% and 5.2% respectively.

At 31 March 2017 the Group had undrawn loan facilities of £8.7m (2016: £8.7m). The group negotiated an extension of the drawdown date for the £8.7m to September 2019.

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

	Group		Association	
	2017	2016	**2017**	2016
	£'000	£'000	**£'000**	£'000
Within one year or on demand	**-**	2,000	**-**	2,000
One year or more but less than two years	**11,500**	9,000	**11,500**	9,000
Two years or more but less than five years	**74,500**	36,000	**74,500**	36,000
Five years or more	**201,636**	240,636	**201,636**	240,636
	287,636	287,636	**287,636**	287,636

25 Pensions

A) Local Government Pension Scheme

The LGPS is a multi-employer scheme, administered by Hertfordshire County Council under the regulations governing the LGPS, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2017 by a qualified independent actuary.

The LGPS is closed to employees who join the Group after 31 March 2003. The liability in respect of past service for transferring members as at 31 March 2003 is to remain with NHDC. The market value of the scheme's assets as at 31 March 2003, and any deficit or surplus relating to revaluation of these assets, are reflected in the financial statements of NHDC.

Notes to the financial statements

25 Pensions (continued)

The employer's contributions to the LGPS by the Group for the year ended 31 March were £525k (2016: £361k) at a contribution rate of 21.2% of pensionable salaries.

Principal actuarial assumptions

Financial assumptions

	31 March 2017 % per annum	31 March 2016 % per annum
Discount rate	**2.6**	3.5
Future salary increases	**2.5**	3.7
Future pension increases	**2.4**	2.2
Inflation assumption	**3.3**	3.2

A) Local Government Pension Scheme

Mortality assumptions
The post-retirement mortality assumptions adopted to value the benefit obligation at March 2017 and March 2016 are based on the PA92 series.

The assumed life expectations on retirement at age 65 are:

	2017 No. of years	2016 No. of years
Retiring today:		
Males	**22.5**	22.3
Females	**24.9**	24.5
Retiring in 20 years:		
Males	**24.1**	24.3
Females	**26.7**	26.7

Amounts recognised in surplus or deficit

	2017 £'000	2016 £'000
Current service cost	**590**	547
Amounts changed to operating costs	**590**	547

	2017 £'000	2016 £'000
Expected return on scheme assets	**(431)**	(393)
Interest on scheme liabilities	**466**	458
Amounts credited to other finance costs	**35**	65

Notes to the financial statements

25 Pensions (continued)

Reconciliation of opening and closing balances of the present value scheme liabilities	2017 £'000
Opening scheme liabilities	(13,339)
Current service cost	(590)
Interest cost	(466)
Remeasurements	(1,843)
Benefits paid	626
Closing scheme liabilities	(15,612)

Reconciliation of opening and closing balances of the fair value of plan assets	2017 £'000
Opening fair value of plan assets	12,361
Interest income	431
Return on plan assets (in excess of interest)	2,605
Contributions by employer	525
Benefits paid	(626)
Closing fair value of plan assets	15,296

	2017 £'000	2016 £'000
Actual return on scheme assets	(316)	(978)

	2017 £'000	2016 £'000
Remeasurements	(1,843)	1,432
Return on plan assets (in excess of interest)	2,605	(208)
Actuarial gain in respect of pension schemes	762	1,224

Major categories of plan assets as a percentage of total plan assets	2017 %	2016 %
Equities	65	63
Bonds 25	26	
Properties	7	8
Cash 3	3	

26 Non equity share capital

The shares provide the members with the right to vote at general meetings, but do not provide any rights to dividends or distributions on a winding up.

	2017 No	2016 No
Number of members		
At 1 April	10	10
Joining during the year	-	-
At 31 March	10	10

Notes to the financial statements

27 Cash flow from operating activities

	2017 £'000	2016 £'000
Surplus for the year	**24,334**	23,682
Adjustments for non-cash items:		
Depreciation of intangible fixed assets (note 12)	**124**	86
Depreciation of tangible fixed assets housing properties (note 13)	**8,452**	8,230
Depreciation tangible fixed assets Other fixed assets (note 14)	**511**	553
Amortisation of grant income	**(541)**	(559)
Impairment of assets	**1,006**	770
Allunite consolidation Adjustment	**(266)**	-
Decrease in WIP	**4,003**	4,034
decrease in stock	**15**	89
(Increase)/decrease in trade and other debtors	**(275)**	469
Increase in trade and other creditors	**1,192**	5
(decrease) in provisions	**(231)**	(66)
Pension costs less contribution payable	**100**	342
Net cash generated from operating activities	**38,424**	37,635

28 Capital commitments

	Group		Association	
Capital expenditure	**2017 £'000**	2016 £'000	**2017 £'000**	2016 £'000
Expenditure contracted for but not provided in the accounts	3,227	3,508	3,227	3,508
Expenditure authorised by the board, but not contracted	13,117	19,333	13,117	19,333
	16,344	22,841	16,344	22,841

The above commitments will be financed primarily through operating Cashflows, borrowings and Social Housing Grant

29 Operating leases

The Group has not entered into any operating leases (2016: none).

30 Contingent liabilities

A potential contingent liability exists at year end in respect of the historical collection of water and sewage charges from tenants. The outcome is not probable but the potential liability is in the region of £1.8 million.

31 Related parties

The tenant member of the board, Christine Anthony has a tenancy agreement, which is on normal commercial terms, and they are not able to use their position to their advantage. Rent paid for the financial year of £8,831 with £71 outstanding as at the 31 March 2017.

The following members of the board Jane Gray and David Barnard are councillors with North Herts District Council, a local authority having nomination rights over tenancies for certain Group properties. All transactions with the council are on normal commercial terms.

Disclosures in relation to key management personnel are included in note 10.

Notes to the financial statements

Subsidiaries

The Group has taken the exemptions available under FRS 102, section 33 for disclosure of intragroup transactions.

Company Name	Company Number	Shareholding	Value of Shares
Rowan Homes (NHH) Ltd	07635808	100%	£100

During the financial year, Allunite Limited was sold for £3.5m therefore recognising a loss of £51k for the group and £317k for the association.

32 Financial assets and liabilities

The board policy on financial instruments is explained in the board report as are references to financial risks.

Categories of financial assets and financial liabilities

	2017 £'000	2016 £'000
Financial assets measured at amortised cost	**51,536**	26,181
Financial liabilities measured at fair value	**(50,894)**	(48,890)
Loan commitments measured at cost less impairment	**(287,636)**	(287,636)
Total	**(286,994)**	(310,345)

Financial assets measured at fair value through profit or loss comprise cash at bank and in hand. Financial Assets measured at amortised cost comprise trade and other debtors, and amounts owed by group undertakings.

Financial liabilities measured at amortised cost comprise trade and other creditors, and amounts to group undertakings.

Financial liabilities measured at fair value (interest rate swaps)	2017 £'000	2016 £'000
Prior year recognised losses on hedges	**15,955**	15,736
Recognised losses on hedges through surplus	**11**	218
Unrecognised losses on hedges	**34,928**	32,936
Total	**50,894**	48,890

The fair values have been calculated by discounting cashflows at prevailing interest rates.

Financial assets

Other than short-term debtors, financial assets held are equity instruments in other entities, cash deposits placed on money markets at call, seven-day and monthly rates and cash at bank. They are sterling denominated and the interest rate profile at 31 March was:

	2017 £'000	2016 £'000
Floating rate	**44,031**	19,482
Fixed rate	**7,505**	7,136
Total	**51,536**	26,618

The fixed rate financial assets comprise of trade investments that have no fixed maturity. The remaining financial assets are floating rate, attracting interest rates that vary with bank rates.

Notes to the financial statements

32 Financial assets and liabilities (continued)

Financial liabilities excluding trade creditors- interest rate risk profile

The Group's financial liabilities are sterling denominated. The interest rate profile of the Group's financial liabilities at 31 March was:

	2017 **£'000**	2016 £'000
Floating rate	**96,336**	96,300
Fixed rate	**191,300**	191,300
	287,636	287,600

The fixed rate financial liabilities have a weighted average interest rate of 4.2% (2016: 4.9%) and the weighted average period for which it is fixed is 23 years (2015: 27 years).

The debt maturity profile is shown in note 24.

Borrowing facilities

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

	2017 **£'000**	2016 £'000
Expiring in one year or less	**-**	8,300
Expiring in more than one year but not more than two years	**8,700**	-
	8,700	8,300

33 Post balance sheet events

There are no post balance sheet events to report.