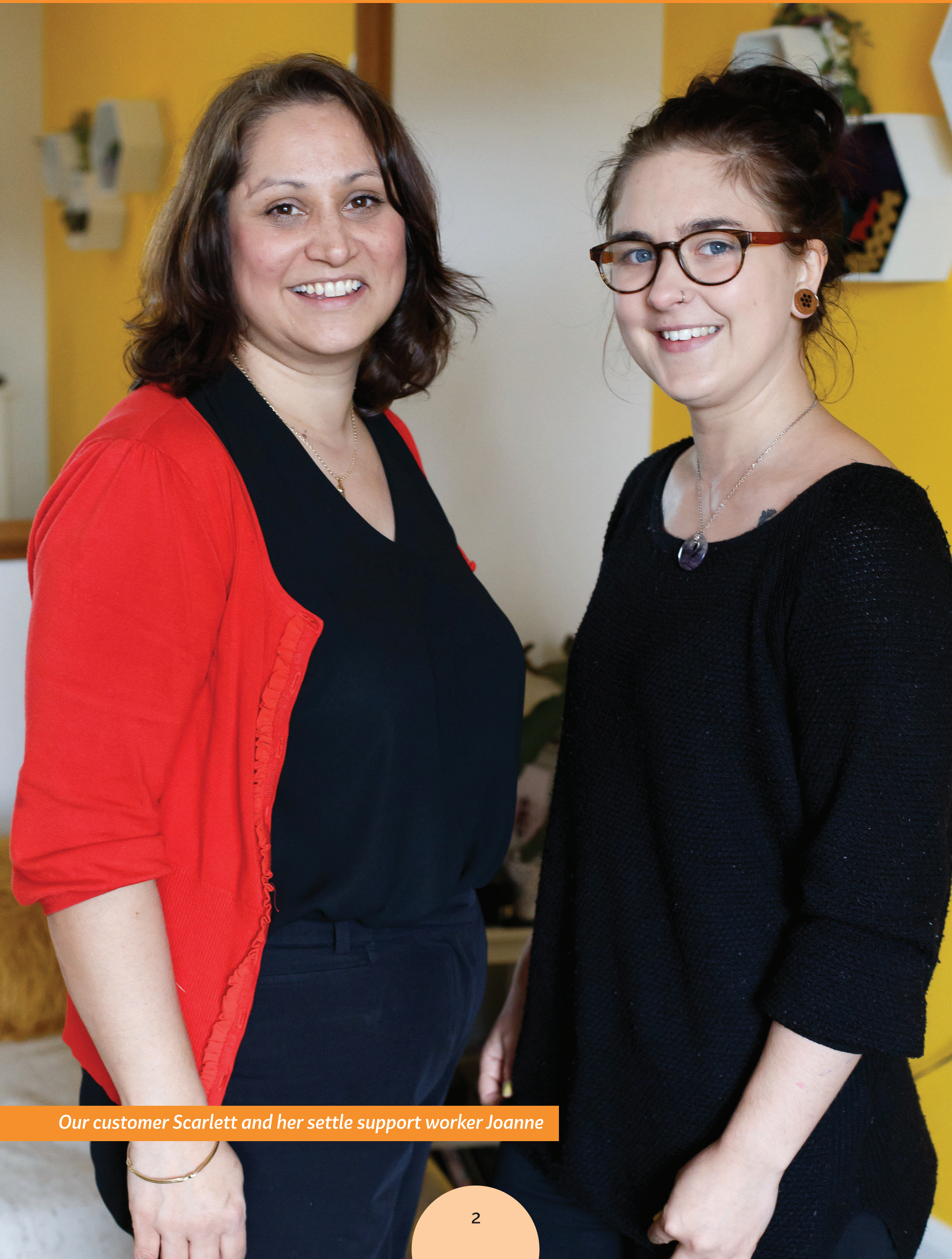
settle

(formerly North Hertfordshire Homes Limited)

Report and Financial Statements for the Year Ended 31 March 2018

Co-Operative and Community Benefit Society Registration Number 30003R

(Registered with the Homes and Communities Agency Number L4370)



Our customer Scarlett and her settle support worker Joanne

Contents

Highlights

Chair's statement

The last twelve months have been a challenging period for social housing. The tragic events at Grenfell Tower reminded us all not just of the importance of what we do but the trust that our customers place in us as responsible landlords. This sobering event has led us to think again about our core purpose and how we at settle deliver on that purpose. At the same time the housing crisis shows no signs of abating and I know that the Board and colleagues I work with remain committed to doing all we can to help meet the housing needs of the people in the areas we serve.

Fundamental to our ability to maintain the homes of existing customers and invest in the much needed new and truly affordable homes is the requirement to run a financially sound business that has the capacity to support both of those aims. Our financial statements for 2017/18 demonstrate the work we are doing at settle to ensure we have the solid financial foundations so that we can deliver on those ambitions. This is demonstrated by an operating surplus of £19m (24.4%), MRI interest cover of 234% and a gearing ratio of 55.5% as set out later in this report.

This has also been a year in which we have successfully adapted and strengthened our governance arrangements. We were delighted to retain our G1 rating in an in-depth review by the Social Housing regulator but the Board and I are aware of the need to continually evolve and strengthen governance, ensuring that we have the expertise and behaviours at Board level that drive a great social business. We have adopted a new set of rules, based on the National Housing Federation model, changed from a Board that included local authority nominees to a smaller Board comprised entirely of independent members selected on their competencies and capabilities. During the next twelve months we will be overseeing further succession planning with the Board reviewing how we ensure we listen to the voice of our customers, both new and existing, ensuring we have governance arrangements that are fit for the future and the challenges it will bring.

As part of our strategic plan we have now launched our new brand, settle. Fifteen years ago, we were formed as North Hertfordshire Homes following a stock transfer from North Hertfordshire District Council. Today we have grown from those proud roots to span a broader geography working across the entirety of Hertfordshire and in Bedfordshire. We are customer-focused and have put our customers trust in what we do at the very heart of our business. Our new name reflects the pride we feel in who we are today ensuring our customers, colleagues and stakeholders know what we stand for and what we offer.

I am pleased to report that the first year of our strategic plan has been a success. That doesn't mean that we are complacent; we know that the hard work has only just begun. Our purpose and our values will continue to guide all areas of our work over the coming year. We are considering changes to our development and finance strategies to substantially increase our production of new social homes that are genuinely affordable to people on lower incomes whilst continuing to invest in our existing properties and ensuring financial viability. We shall report more on this in due course. As part of this, during 2018/19 we will be investing further in the expertise and talent of our leadership team and colleagues, enhancing our already strong financial capacity. There is also the challenge of modernising our older persons' housing and services to ensure they meet the demands of the future ageing population.

In conclusion, I feel it is important to acknowledge the vital contribution of the whole team at settle and to thank the Executive, colleagues, the Board and our partners and stakeholders for all that we have achieved during the year. We could not have realised our achievements to date or be confidently embarking on delivering our plans for the year ahead without their commitment and hard work. By building a better business today we hope to be part of building a better tomorrow.

Martin Nurse, Chair

About settle

Who we are

In a changing world, and against a backdrop of financial difficulty for some, and an inaccessible housing market for many, settle is here to tackle challenges familiar to us all. Our plan, ***Building a Better Tomorrow***, sets out our bold ambitions to build more much needed affordable homes, provide services that are easy to access, simple to use and that customers can trust, and create an inspiring working environment for colleagues.

The Group

The Group consists of settle, the housing association that manages over 9,000 properties across Hertfordshire and in Bedfordshire, and the commercial subsidiary, Rowan Homes (NHH) Ltd that was set up in 2011 to market newly built properties for sale. All profits generated by Rowan Homes are used to deliver more affordable housing.

Our purpose

We help people who are struggling to find a place to live. We help them stay in their home comfortably so that they can live the life they choose.

Social purpose

Our research shows that approximately 25% of our customers are currently 'getting by', but that a small change in their circumstances can considerably impact their ability to manage and maintain their home. These changes will generally not be linked to their home and tenancy with us, although the consequences for the security of their home can be significant. Our social purpose strategy sets out how we will assist households to help ensure they avoid tenancy failure.

The key areas likely to impact upon those households are:

- **Employment** – the changing face of modern welfare means that any household of working age without an adult in employment will find it increasingly difficult to pay their rent alongside other expenses
- **Finances** – low income or access to benefits is a risk to customers keeping their tenancy
- **Health** – the wellbeing of customers has a material impact on their ability to remain living in their homes as they age. The consequences of ill health affect the need for additional investment to adapt homes or the need to move into alternative accommodation
- **Ageing** – over the next 20 years, the number of households who are over 65 could grow to as much as 80% of settle's customer base. Loneliness amongst an ageing population and the strain of caring for elderly partners and relatives both impact significantly on the sustainability of existing accommodation for our customers

We possess an outstanding track record of positive engagement with customers on issues of social purpose. In 2017/18 we delivered over £1m of social value through work on tenancy sustainment and community engagement. We know that there will be less security of revenue through the introduction of Universal Credit. Preventative services that help households in our target market avoid lengthy unemployment, debt and ill health all contribute towards those same households sustaining their tenancy.

What we focus on

To ensure that we achieve our in-year targets, the business has a set of core priorities that provide the focus for activity and the basis for reporting to Board. The areas below link to the key performance indicators agreed with Board for 2018 and reported through the performance dashboard.

1	Efficient use of existing assets	2	Reduce effort for customer by delivering right first time services
3	Develop an organisation-wide business intelligence function	4	Building relationships with suppliers who support our ambition for colleagues and customers
5	Maximise income from customers	6	Implement the organisation's Care Services plan
7	Evolve a clear OD offering that develops the right culture for NHH	8	Strengthen the business assurance function organisation-wide
9	Launch the settle brand	10	Create an effective work environment for colleagues
11	Develop an effective treasury strategy	12	Conclude NHH's independence from North Hertfordshire District Council


Dawson Close, St Albans

Strategic report

Overview of 2017/18

The Grenfell fire and our response

The Grenfell fire and the tragic death of 72 people caused us and all social landlords to stop and consider our primary role in society. As a sector, we are many things to the four million households who live in social housing, but, at our core, the relationship between us and every one of our customers is founded on a trust that we will offer a safe place to live. The subsequent investigations and enquiries into what happened will, over time, lead to many changes in the way our industry, and other industries, work. But in the immediate aftermath of Grenfell, all landlords reflected on whether they could confidently say that the trust their customers placed in them to keep them safe was well-founded.

In 2016/17, settle had commenced work that would answer some of the challenges presented to landlords in the months following the fire at Grenfell. Crucially, we had already recognised the importance of the trust our customers place in our business and launched, as mentioned earlier, our Strategic Plan. This includes a focused attempt to build greater trust between ourselves and our customers as a means to ensure our customers are satisfied with the work we do.

This focus reached into the very areas that became a central focus for all organisations following the fire. Our plan to improve trust in our business included:

- Invasive fire risk assessments of all buildings that were either of complex construction or occupied by vulnerable households
- A £500k investment programme to improve fire safety measures across our residential buildings beyond the statutory responsibilities that are currently applied
- A review of fire evacuation plans to ensure they are fit for purpose

Despite having no high-rise tower blocks, we believe these measures were a positive enhancement of our management of fire safety, and we have continued to develop our approach on the basis that we want our customers to trust in our ability to provide a safe place to live. In February 2018, we were pleased that our internal auditors, Mazars LLP, recognised our approach to fire safety as offering substantial assurance and gave it a green light following an in-depth audit of the service.

The Health and Safety arrangements of the Association incorporate robust policies, procedures and risk assessments. 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.

Delivering our Strategic Plan

In order to deliver our Strategic Plan effectively, the business developed a headline performance dashboard of KPIs which identify the key drivers to fulfilling our strategic aims. The dashboard focuses the collective capability of our operation on the activities we believe will deliver success.

Creating Capacity	**2017/18 Actuals**	**2017/18 Targets**	**2018/19 Targets**
Operating Margin (Consolidated)	24.4%	28%	35%
Rent Arrears (General needs and retirement living)	1.88%	2.25%	<2.55%
Headline cost per unit	£3,104	-	£3,300
Return on Investment from continuous improvement	12%	-	10%
Void Loss	0.68%	-	0.60%
Average NPV of existing assets	£24,122	-	25k
Delivering Homes			
No of homes delivered in year	81	80	120
Percentage of affordable homes delivered	100%	>60%	>60%
Units developed as a % of units owned	0.67%	-	1.4%
Providing Good Service			
Effort score	4.2	4	<3.8
Trust score	7.2	7.5	>7.5
Total social value return	£1.1m	£1m	>£1.2m
Timeframe to complete non-emergency repairs	23 days	20 days	18 days
First contact resolution	81%	80%	>85%
Strengthening Foundations			
Colleague trust index score	69%	-	>75%
Adequate internal audits	75%	75%	67%
Substantial internal audits	25%	25%	33%

The figures above demonstrate that we have had a successful year, achieving most of our stated targets and establishing a positive direction of travel across the majority of our activities. During the year, we had an in-depth assessment from the Regulator for Social Housing and retained our V1/G1 rating. This is a direct result of the work the Group has done to achieve the strategic themes and underpin the foundations.

Delivering homes

- We delivered 81 homes in 2017/18, including 35 for social rent and 34 for affordable rent
- We are on-track to achieve our stated target of over 480 homes over three years
- Entered into contracts to purchase 83 Section 106 properties
- We have clearly set out how we will seek to ensure that we build homes that meet the affordable housing needs our research shows local communities require

Creating capacity

- At the end of the year our cash and liquid assets were at a very healthy £70.8m (£44m last year) and we have made a strong surplus of £12m which compares with £13.9 m last year
- We have made good progress on asset management with the implementation of year one of the stock investment programme going to plan and the use of the asset management model to deliver £2m of net disposals and support the work which is under development for the delivery of a new model of retirement living
- As a business, we have also taken the decision to step out of the loss-making care contract with Hertfordshire County Council

Employees volunteering at chosen charity partner, HomeStart

Providing good services

- Outstanding performance means we have achieved our challenging arrears target of 2.25% and reduced void loss below the target of 0.7%
- We have seen substantial improvements in the effectiveness and efficiency of our in-house repairs service, leading to the decision to retain it as the service provider
- Our contact center has a clear focus on 'first contact resolution'. They are at the heart of driving our low effort and high trust service to customers. We are meeting the target of 80% of contacts being resolved at the first point of contact
- Traffic to the website is up 8% on the same calendar period last year. We have seen over one million views of the website. Over 3,500 customers (43%) now have online accounts and three quarters use them regularly. Usage of the online rent statement is up 25% from last year to over 95,000 views

Strengthening foundations for colleagues

- We delivered 18 IT projects in 2017/18, ranging from the implementation of a new infrastructure to updating business critical software packages. These deliverables, and the future works defined on our IT Roadmap, are transforming IT for our colleagues
- Across continuous improvement, we made changes to 27 parts of the Group last year to improve the services we provide to customers and colleagues.

Financial performance

The Group's Statement of Comprehensive Income and Statement of Financial Performance for the past five years are summarised in Table 1 (page 27) and the following paragraphs highlight key features of the Group's financial position at 31 March 2018.

The table shows accounts under FRS102 for financial year ends 31 March 2018, 2017, 2016 and 2015. Accounts for the year 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 £19.0m (2017: £24.3m).

Group borrowings are £287.6m (2017: £287.6m); the Group has undrawn loan facilities of £8.7m.

(2017: £8.7m) that will be used to fund future improvement programmes and new developments. Revenue reserves are £57.6m (2017: £41.9m).

Properties in ownership

At 31 March 2018, the Group owned and managed 9,074 (2017: 9,043) social housing properties and 2,958 (2017: 2,918) commercial properties, primarily garages. The properties are carried in the balance sheet at historical cost (after depreciation) of £356m (2017: £355m). 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 2018, the EUV-SH values of the properties, on an existing use for social housing valuation basis, were £518m (2017: £516m). This excluded garages and uncharged properties.

2018/19 – the year ahead

Having closed 2017/18 a stronger business than a year ago, we are keen to ensure that during 2018/19 the focus of the Group achieves the milestones required to deliver continued progress towards the achievement of our Strategic Plan. Our strategic objectives, set out below, evolve from those we delivered in the past 12 months. As a result, the underlying KPI targets in our headline dashboard for 2018/19 are more stretching in recognition that we have shaped our business in the past 12 months to deliver on our Strategic Plan and can therefore expect to deliver a greater output in 2018/19.

The targets for the year 2018/19 are set out below.

Strategic Theme	Strategic Objective
Creating Capacity	Operating surplus of 35% excluding non-core activity
Delivering Homes	120 homes to be delivered in the 2018/19 financial year
Providing Good Services	Effort score of 3.8 or below Trust score of 7.7 or above
Strengthening Foundations	Colleague trust score of 75% or higher

Activities

settle group comprises one registered housing provider with one wholly owned subsidiary, Rowan Homes (NHH) Ltd (Rowan Homes), 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.

The Group operates four key business streams:

- Affordable housing for rent
- Temporary housing to house those who are statutorily homeless
- Shared ownership developments
- Property development for sale

During 2018/19 the Board agreed not to re-tender for the flexi-care contracts with Hertfordshire County Council. This affects five schemes and the contracts are likely to transfer to another provider during 2018/19.

In addition to rental housing, the Group also lets a number of commercial properties, the majority of which operate community-based services in the neighbourhoods the Group serves. The Group's focus remains its housing activities and this is expected to continue.

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 has 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 settle incurs in providing the services. The Group is fully compliant with the current regulatory guidelines on rents and service charges.

Donations

During the year that ended 31 March 2018, the Group donated a total of £153k (2017: £85k), primarily focussing on those agencies that provide support or services to residents within our area of operation.

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 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 employment contracts, which have the same terms as other staff, other than different arrangements for annual leave and a notice period of 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.

Value for money

Our strategy

Our purpose is to help people who are struggling to find a place to live. This drives focus on ensuring real value is delivered in all activities and a wide range of options are available to all our residents, including temporary accommodation and low-cost home ownership. This means we need to be run as a financially sound business – one that is efficient, effective and 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.

Our approach

The Board sets the strategy and has overall responsibility for ensuring the organisation operates effectively, efficiently and economically. Value for money is embedded in the organisation's governance arrangements; the standing orders, procurement function and purchase order systems that are in place provide a robust framework over the tendering of works, placing of orders, and all expenditure, ensuring real value for money is built into all purchasing processes.

We are also committed to maximising value for money for residents and other stakeholders in all activities, including the procurement of third party goods and services. Value for money is to be achieved by awarding the lowest price for short term, simple goods and services of a standard specification; or on a weighted quality and cost basis for more complex, high value goods and services, where a number of service delivery factors are considered. We recognise it is our duty to deliver value from all activities.

The Board appraises significant projects and scrutinises these against the organisation's approved development strategy and approved investment hurdles. The Audit and Risk Committee's key objectives include the promotion of the highest standards of propriety in the use and stewardship of the organisation's resources, and to encourage transparency and clear accountability for the use of those assets.

The organisation has an investment policy that sets out objectives for the Group's commercial investments, in order to manage the risk-return trade off associated with those activities effectively. Generally, investments are to be managed on a going concern basis.

Our commitment

We see our commitment to value for money as intrinsic to our Strategic Plan; requiring our business to balance our investments in existing and new assets to ensure we deliver the much-needed affordable housing we have targeted, whilst building trust with customers through services which are convenient to use. We believe we achieve this through understanding the needs of customers by using our in-house resources and trusted partners to identify the things that matter to them most, and then engaging our colleagues in delivering improvements where they matter.

Our strategic approach to value for money draws together four key disciplines within our business:

The voice of our customer

- Understanding who our customers are, how they behave, and what we do that generates real value for them

A solid foundation

- Establishing a robust business that is run efficiently, is effectively governed, and allows us to provide decent 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

- Maximising our capacity to invest in new and existing homes, communities and services

Progress

Measuring value for money – sector score card

The Regulator produced the standard code of practice, which came into force on 1 April 2018. They published seven value for money metrics that providers are expected to report against. These metrics are based on information collected through the sector scorecard.

settle group were one of the housing associations who agreed to be part of the pilot exercise for the sector scorecard. The sector scorecard measures performance over five themes these are listed below:

- Business health
- Development capacity and supply
- Outcomes delivered
- Effective asset management
- Operating efficiencies

The pilot was completed by 315 housing associations managing almost 2.4 million properties, which is over 80% of the UK's housing association stock. The organisations are based across the British Isles.

Chaucer Way, Hitchin

Below are the Group's key performance indicators:

	2017/18 Actual	2016/17 Actual	Median 2016/17
Key Performance Indicators – Business health			
Operating margin (social housing lettings) %	33.99%	39.42%	31.6%
Operating margin (overall) % Association only	28.63%	36.84%	30.3%
EBITDA MRI interest cover	234%	247%	227.6%
Key Performance Indicators – Development capacity and supply			
Number of homes developed as a percentage of current stock	0.67%	0.80%	1.1%
Gearing (housing properties at cost)	80.70%	80.87%	41.6%
Gearing (housing properties at valuation)	55.50%	55.76%	41.6%
New supply delivered (social housing units) %	0.89%	0.09%	**
New supply delivered (non-social housing units) %	0.11%	0.39%	**
Key Performance Indicators – Outcomes delivered			
Reinvestment % as a percentage of housing stock at cost	3.17%	2.31%	**
Reinvestment % as a percentage of housing stock at valuation	2.18%	1.59%	**
Key Performance Indicators – Effective asset management			
ROCE %	4.84%	5.54%	4%
Key Performance Indicators – Operating efficiencies			
Headline social housing costs per unit	3,104	3,414	3,306
Key Performance Indicators – Internal KPIs			
Emergency repairs: and general repairs completed within 24 hours	99.12	98.80%	*
Average number of days repairs completed	19 days	13 days	*
Rent loss due to voids	0.68%	0.81%	*
Total tenant arrears as a percentage of rent due (excluding voids)	1.04%	1.68%	*
Average re-let time (standard re lets)	38 days	31 days	*

*Data not available internal KPIs

** Data not available for 2017

Re-investment

Re-investment of social housing stock has increased to 3% of current stock numbers (2017: 2%), due to the Group investing more in social housing and is in line with our Strategic Plan. During 2015/16 we assessed the quality of our asset base, and through intelligent asset management and a new stock condition survey programme, we have rebuilt our investment model for the next 30 years. This has seen us gradually build up the level of investment from 2015/16 to 2018/19

New supply delivered

The new supply delivered for social housing units has increased to 0.89% (2017: 0.09%). 2017/18 was the first year of a three-year programme, in which we are delivering 480 units, two thirds of which will be affordable. Over the three-year period, our programme amounts to 5.8% of existing homes in the Association with the delivery growing year-on-year. This is the core of the organisation's strategic plan.

Gearing

Gearing has remained consistent as the Group has not taken on any further funding during the financial year. The low gearing does give us the capacity to potentially borrow further to grow our development programme. Whilst at upper quartile levels, this remains within the risk appetite of below 75% outlined within settle's treasury policy. The treasury policy is reviewed annually. All areas of risk including security risk are assessed as part of the review and is submitted and approved by Board.

EBITDA MRI Interest cover

EBITDA MRI has reduced by 13% compared to last year. There has been an erosion of the Operating Margin as a result of pausing our investment programme in 2015/16. This was recommenced during 2016/17 for six months and has been reinstated during 2017/18.

Headline social housing cost per unit

The headline social housing cost has reduced for the financial year. This is due to a reduction in planned repairs on our assets following the completion of a six-month programme in this financial year. This is offset by an increase in responsive repairs and management costs.

Operating margin

The operating margin for social housing has reduced to 34.07% compared to 39.42% in the prior year. As referred to above, there has been an increase in the investment in our properties, as well as investments in other areas including IT and consultancy. These are all part of a long-term programme to manage the Association more efficiently and create real value for money savings in future years.

Return on capital employed (ROCE)

The ROCE has reduced to 4.84% (2017: 5.55%) for the reasons referred to above.

Repair response times

Our emergency repairs response times remain strong with 99.1% being done within 24 hours (2016/17: 98.8%). Over the course of the year, we have focused on reducing the amount of time customers are asked to wait for all types of work. We delivered substantial improvements in the efficiency of the service during the year, with our productivity rate per person per day rising to more than four jobs and our price per unit average dipping below that which we see commonly tendered for in the market.

Rent arrears

We continue to perform well with a low level of arrears; for 2017/18 the arrears were 1.35%, which is an improvement on the 2016/17 figure of 1.68%. The cornerstone of our approach to income management remains the quality of the engagement between our highly trained workforce and customers who experience issues paying their rents.

Voids

Rent loss through voids has improved from 0.81% to 0.68%. This has been achieved through a consistent focus on managing all types of void properties business-wide in order to maximise the letting of available homes in the areas in which we work. At the same time, re-let time has increased from 31 to 38 days. This is as a result of a small number of longstanding properties being relet for emergency accommodation and having a disproportionate effect on the average turnaround time.

Governance

settle group (settle), formerly North Hertfordshire Homes Limited, is a registered Co-operative and Community Benefit Society with charitable objectives. The Association formally changed the legal name on 3 September 2018. The Group is registered with Homes England, governed by a non-executive Board, and operates throughout Hertfordshire and Bedfordshire, with its head office at Rowan House, Avenue One, Letchworth Garden City, Hertfordshire, SG6 2WW. 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. Performance during the year and position at the year end are summarised in this report.

Board structure

Board membership – details as at signing date, and meeting attendance for the year (out of a total of eight meetings):

Board member	Board attendance	Rowan Homes Board	Audit and Risk Committee	Remuneration and Governance Committee
Martin Nurse (Chair)	8/8			✓
Marie Li Mow Ching (Vice chair)	8/8	✓		Chair
Philip Day (Chair - ARC)	6/8		Chair	
Christine Anthony	8/8		✓	
David Barnard (NHDC) [2]	4/8			
Jane Gray (NHDC) [2]	6/8		✓	✓
Stacey Brewer [1]	7/8	✓	✓	
Peter Lipman (Vice Chair) [3]	3/4	✓		Former Chair
Kay Vowles	7/8		✓	
Julian Baust [4]	6/7		✓	
Victor Dove [4]	6/7	Chair		

[1] Stacey Brewer did not serve Audit and Risk and Rowan consecutively
[2] End of Tenure 14 May 2018
[3] End of Tenure 5 September 2017
[4] Appointed 6 June 2017

Two Special General Meetings (SGM) were held during the year to amend the Association's Rules. The first SGM (held on 14 May 2018) enabled the Association to comply with the Social Housing (Influence of Local Authorities) (England) Regulations 2017 which, in effect, removed the representation on the Board by Members nominated by the North Hertfordshire District Council.

A further SGM (held on 4 June 2018) adopted Model Rules for the Association which included provision for all Members of the Board to have one vote each, thus making each Board Member independent. It was at this SGM that the Board also agreed the change of name from North Hertfordshire Homes to settle group.

The Board comprises up to ten independent non-executive members, of which one is currently vacant. Each board member holds one fully paid £1 share in the Group.

The executive team that have served during the year:

Chief Executive	Gavin Cansfield		
Executive Director of Homes and Customer Experience	Shaun Holdcroft		
Executive Director of Finance and Resources	Cris McGuinness (Interim)	Appointed 01.04.17	Resigned 29.09.17
	Simon Rogers	Appointed 25.09.17	Resigned 16.02.18
	Nazar Al-Khalili (Interim)	Appointed 05.03.18	Resigned 07.09.18
	Richard Blakey	Appointed 10.09.18	
Company Secretary	Molly Clarke	Appointed 03.04.17	Resigned 08.06.18
	Laurence Fowler-Stevens (Interim)	Appointed 05.06.18	

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.

Advisers and Bankers

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

Auditors
Grant Thornton UK LLP
Victoria House
199 Avebury Boulevard
Milton Keynes, MK9 1AU

Legal Advisors
Trowers
3 Bunhill Row
London
EC1Y 8YZ

Statutory and regulatory information

The governance of settle, its constitution and the composition of its Board and respective Committees is based on the requirements of the National Housing Federation's (NHF) Code of Governance. The terms of reference of the Board take into account the requirement for it to act wholly in the best interests of the organisation. The Committees of the settle Board are the Audit and Risk Committee, and the Remuneration and Governance Committee, with the subsidiary Rowan Homes (NHH) Ltd forming part of the Group.

Internal control and risk management

As required by section C1 (8) of the NHF Code of Governance, the settle Board has an established risk management framework, which is designed to safeguard the assets and reputation of the organisation. The risk management framework is designed to ensure the Board retains overall responsibility for risk management, as stipulated by section F10 of the Code.

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 then managed by the Chair of the Board/Committee with the assistance of the Company Secretary.

An internal control framework has been in place for the duration of the 2017/18 financial year. 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 Assurance Framework 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.

The highest-level risks are identified in the following table:

Key risk	**Actions being taken**
Rowan Homes' inability to deliver the development strategy through constraints on its financial capacity	• Regular oversight of development forecast and activity at Rowan Homes and settle group Board meetings • Strict adherence to the outcomes of feasibility studies and appraisal analysis • Implementation of enhanced financial appraisal models, which are reviewed regularly to ensure they are competitive • Detailed stress testing
Failure to comply with GDPR requirements on secure retention of personal data	• Training and awareness programme for all staff • Regular policy review programme • Regular Board reporting on progress • Steering Group ongoing reviews
Reduced sales income and/or increased production costs due to significant operating environment constraints in the housing market	• Stress testing of development programme within business plan • Sales and marketing plan implementation • Use of independent consultants to aid investment decision making

Significant disruption to services as a result of failure of relationship with major third party	• Formal tender process for all new contracts, including an assessment of the financial viability of the contractor • Full suite of framework agreements are in place with key contractor • Regular contract review meetings with key contractors to assess performance and ongoing viability
Insufficient internal capability is developed to deliver the service offer to customers as a result of failings in IT systems, people policies or process development	• Departmental delivery plans in place to ensure clear resourcing needs are understood • Monthly reviews of plans at Executive Director level • Appropriately skilled senior leaders are in place to manage key internal functions • Clear strategies for both people and IT are in place
Significant reductions in projected revenue from rents as a result of government policy around rent setting and welfare spending	• Clearly established policy and procedure for management of rent arrears and collection • Clear performance dashboard for income activity • Tracking of all households currently affected by government policy regarding welfare • Prudent assumptions on revenue and cost inflation in the Financial Plan • Policy in place for engaging households who are anticipated to be affected by changes in welfare by 2020

The Board has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. This applies in respect of all companies within the Group. The system of internal control is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of assets.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which is embedded within normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks.

Key elements of our internal control framework include:

- Board meetings are held regularly and there is a defined schedule of matters reserved for decision by the Board
- Adoption of the NHF Governance Code supported by a framework of policies and procedures, which employees and Board members must comply with. These cover areas such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, money laundering, fraud prevention and detection and bribery
- Internal audit assurance provided by an independent firm of professional advisors. Internal control and risk management frameworks are subject to regular review by Internal Audit, which is responsible for providing independent assurance to the Board through the Audit and Risk Committee

- Clear responsibilities for the identification, evaluation and control of risks. The executive team and the Audit and Risk Committee consider risks throughout the year. The Chief Executive and the Audit and Risk Committee are responsible for reporting any significant changes to the Board
- Comprehensive anti-fraud policy and procedures are in place to prevent, detect and report on fraud and recover assets as appropriate. This is supported by a positive anti-fraud culture amongst staff, contractors and Board members. No frauds resulting in a material loss have occurred during the year
- Rigorous procedures are in place to ensure that corrective action is taken in relation to any significant control issues
- Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. The Board regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2018, and up to the date of signing these financial statements. The internal controls were reviewed during the year and a number of control weaknesses were identified, largely driven by failures to consistently adhere to processes that were in place. Among the affected areas was late submission of information to funders during the year. This was reported to the Audit and Risk Committee. For all identified issues, actions were taken immediately and the matters were resolved by ensuring all control process were re-embedded throughout the organisation.

Audit and Risk Committee

The Audit and Risk Committee regularly reviews the system of internal control as part of its remit. The Committee formally reports to the Board via a written Chair's report, providing assurance in relation to the internal control environment, covering risk management, internal and external audit.

The Audit and Risk Committee reviews reports received from internal and external auditors. It makes regular reports to the Board on the extent to which internal controls continue to take account of the major risks facing the Group. The Audit and Risk Committee submits an annual report, summarising its work and conclusions, to the Board.

In reviewing the effectiveness of internal controls, the Board has reference to a range of evidence that includes independent sources, management assurances and outcomes from a range of risk management activities.

The Audit and Risk Committee and Board have received the Chief Executive's annual review of the effectiveness of the system of internal control.

The Audit and Risk Committee:

- Discussed with the external auditors the adequacy, nature and scope of the annual financial audit plan, including reviewing and agreeing the engagement letter issued by the external auditor at the outset of the Group audit
- Assured itself that the external auditor has the fullest co-operation of staff, and to oversee the satisfactory completion of the annual external audit process

- Considered all relevant reports by the external auditor and by regulatory authorities, and the findings of the external auditor in the course of its work, and the adequacy of management's responses
- Reviewed and monitored the external auditor's independence, judgement and robustness in handling key decisions, objectivity and the effectiveness of the audit process, and particularly in respect of safeguards established to mitigate threats to its independence

Viability statement

The Group retained its top-tier ratings of G1 and V1 for governance and financial viability respectively, confirming that the Group is financially sound and well positioned to deliver on its growth strategy.

The Board has assessed the viability of the Group over a 30-year period and approved the Group's long-term financial plan, annually submitted to the Regulator in the form of a Financial Forecast Return. The Board is, to the best of its knowledge, satisfied that covenant compliance is maintained throughout the life of the plan, on the basis that the financial plan has been stress tested to withstand significant composite risks materialising without breaching lenders financial covenants, thus confirming the future viability of the Group. After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has considerable financial resources, together with long-term cash generating assets. As a consequence, the Board believe that the Group is well placed to manage its business risks successfully.

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

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

Co-operative and Community Benefit Society legislation requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under the Co-operative and Community Benefit Society legislation the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and surplus or deficit of the Association and Group for that period. In preparing these financial statements, the Board are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards and the Statement of Recommended Practice (SORP) Accounting by Registered Housing Providers 2014, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Board 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, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing (April 2015). It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information 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.

Choristers Court, St Albans

Financial statements 2017/18

Accounting policies

The Group's principal accounting policies are set out on pages 39-49 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 these are held at cost. An independent valuation is commissioned annually and is used to ensure there is no impairment in the Association's housing stock. The Group's financial Instruments are 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.

Housing property assets

Details of the changes to the Group's tangible and intangible fixed assets are shown in notes 13 to 15 of the Financial Statements. Housing property values are considered in the Operating and Financial Review.

Pension costs

The Group participates in two pension schemes, the Hertfordshire Local Government Pension Scheme (LGPS) and the North Hertfordshire Homes 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% (2017: 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% (2017: 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 year ending 31 March 2018.

Capital structure and treasury policy

The Group borrowed no new funds in the 2018 financial year (2017: none). At year end, Group borrowings amounted to £287.6m (2017: £287.6m).

The repayment profile of this debt is as follows:

Maturity	**2018 £m**	**2017 £m**
Within one year	4.5	-
More than one year, less than two years	14.0	11.5
More than two years, less than five years	15.5	74.5
After five years	253.6	201.6
	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 (2017: 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 (2017: £287.6m) at the year end. A total of £8.7m (2017: £8.7m) remains undrawn. settle seeks to refinance loan facilities as opportunities arise. The Group's 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 38). The cash inflow from operating activities this year increased to £45m (2017: £38m). This is primarily due to spending less on development schemes as we consider the next phase of our development programme and expect to spend more in 2018/19. As a group, we have spent less on the planned maintenance of our assets, as we reviewed the condition of our stock and our customer offer during this financial year.

Table 1 – Group Highlights, five-year summary

For the year ended 31 March 2018	2018 £000's	2017 £000's	2016 £000's	2015 £000's	2014 £000's
Consolidated Statement of Comprehensive Income					
Total Turnover	78,008	74,210	83,980	68,063	60,767
Turnover from lettings	51,858	52,114	51,519	50,515	48,558
Operating Surplus	18,999	24,334	23,682	20,683	19,509
Net Surplus	12,030	13,936	11,063	5,020	8,019
Total Comprehensive surplus/(deficit)	15,606	13,075	10,389	(11,772)	-
Consolidated Statement of Financial Position					
Housing properties, net of depreciation	356,446	355,666	361,110	353,240	339,297
SHG and other capital grants	-	-	-	-	(47,810)
Housing properties net of depreciation and grant	356,446	355,666	361,100	353,240	291,487
Pension Assets	-	-	-	-	406
Other Fixed Assets, net of depreciation	4,986	5,230	6,225	7,265	7,524
Investments	9,017	9,205	8,364	7,166	
Total Fixed Assets, net of depreciation	370,449	370,101	375,699	367,671	299,417
Net Current Assets	62,917	57,936	33,892	30,959	30,394
Creditors (due over one year)	375,809	385,776	379,744	378,199	283,946
Less investments to secure interest	-	-	-	-	(6,699)
Pension Liability	1,492	316	978	1,951	-
Net loans (due over one year)	377,301	386,092	380,722	380,150	277,247
Total Net Assets	**56,065**	**41,945**	**28,869**	**18,480**	**52,564**
Reserves Revaluation/hedging	(29,991)	(33,067)	(31,445)	(31,103)	1,059
Revenue	86,056	75,012	60,314	49,583	51,505
Total reserves	**56,065**	**41,945**	**28,869**	**18,480**	**52,564**
Total funding included in creditors due over one year	283,136	287,636	285,636	287,632	329,811
Accommodation figures: Total properties at year end					
Social housing	9,074	9,043	9,065	9,001	9,031
Commercial properties	2,958	2,918	2,918	2,913	2,913
Total	**12,032**	**12,006**	**11,983**	**11,914**	**11,944**

Table 1 – Group Highlights, five-year summary (continued)

Statistics					
Operating surplus % of turnover	24.4%	32.8%	28.2%	30.34.%	32.10%
Operating surplus excluding non-core social housing activity % of turnover excluding non-core social housing activity.	33.99%	41.28%	35.59%	35.40%	32.99%
Net surplus % of Turnover	15.42%	18.77%	13.17%	8.51%	13.2%
Rent losses through voids and bad debts % of annual rent and service charges receivable	1.65%	2.06%	2.03%	1.51%	1.36%
Rent arrears % of annual rent and service charges receivable	1.35%	1.68%	1.75%	1.54%	3.64%
Interest cover (EBIT divided by interest payable)	1.99	2.18	1.98	1.51	1.60
Liquidity (current assets divided by current liabilities)	3.65	4.57	2.77	2.73	3.57
Gearing (total loans as % assets, housing properties at value as valued by valuer)	56%	56%	56%	57%	52%
Asset cover ratio (housing assets at value divided by loan debt)	1.80	1.80	1.80	1.76	1.74
Debt per rental unit	£31,647	£31,650	£31,796	£32,024	£33,417

Post-balance sheet events

In May 2018, an SGM was held to amend the composition of the Board in line with the new section 93 rules. At this SGM, the Board voted to change the legal name of the Parent company from North Hertfordshire Homes Limited to settle group. The Association started trading as settle on 23 May 2018 and the legal name was changed on 3 September 2018.

During 2018/19, the Board agreed not to re-tender for the flexicare contracts with Hertfordshire County Council. This effects five schemes and the contracts are likely to transfer to another provider during 2018/19.

In August 2018 the Group recognised a potential contingent liability regarding amounts relating to disposal proceed funds (DPF). The outcome liability could be an amount between nil to £1.3m.

Payment to creditors

The Group estimates on average creditors are paid within 30 days (2017: 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 25 September 2018.

Disclosure of information to auditors

At the date of making this report each of the Group's Board members, as set out on page 18, 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 was proposed at the Annual General Meeting on 5th September 2017, with the tender taking place during 2018/19 in time for the 31 March 2019 audit.

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 25 September 2018 and signed on its behalf by:

Martin Nurse, Chair

Independent Auditor's Report

Opinion

We have audited the financial statements of settle group (the 'Parent Association') and its subsidiaries (the 'Group') for the year ended 31 March 2018, which comprise of 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and Parent Association affairs as at 31 March 2018, and of the Group's and Parent Association income and expenditure for the year then ended;
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing 2015

Basis for opinion

We have been appointed as auditor under the Co-operative and Community Benefit Societies Act 2014, and report in accordance with regulations made under that Act. We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Association, in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the Association's members, as a body, in accordance with regulations made under Sections 87 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 Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the Association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

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

- the Board's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or parent society's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Other information

The Board is responsible for the other information. The other information comprises the information included in the Annual Report, set out on pages 4-29, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of the Board for the financial statements

As explained more fully in the Statement of Responsibilities of the Board set out on page 23 , the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Grant Thornton UK LLP

Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants
Milton Keynes

Date: 25 September 2018

Consolidated Statement of Comprehensive Income

		2018			2017		
	Note	**Continuing Operations £'000**	**Discontinued Operations £'000**	**Total £'000**	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Turnover	3	**78,008**	**-**	**78,008**	70,710	-	70,710
Operating expenditure	3	**(59,009)**	**-**	**(59,009)**	(46,266)	(110)	(46,376)
Operating surplus	5	**18,999**	**-**	**18,999**	24,444	(110)	24,334
Gain on disposal of property, plant and equipment	6	**1,287**	**-**	**1,287**	16	-	16
Interest receivable	7	**769**	**-**	**769**	946	59	1,005
Interest and financing costs	8	**(11,411)**	**-**	**(11,411)**	(11,191)	-	(11,191)
Movement in fair value of ineffective financial instruments	34	**2,393**	**-**	**2,393**	(11)	-	(11)
Surplus before tax		**12,037**	**-**	**12,037**	14,204	(51)	14,153
Taxation	12	**(7)**	**-**	**(7)**	(218)	-	(218)
Surplus for the year		**12,030**	**-**	**12,030**	13,986	(51)	13,935
Other comprehensive income							
Actuarial gain in respect of pension schemes	26	**(987)**	**-**	**(987)**	762	-	762
Revaluation of effective financial instruments	34	**3,265**	**-**	**3,265**	(1,992)	-	(1,992)
Revaluation of investments	16/17	**(189)**	**-**	**(189)**	370	-	370
Total comprehensive surplus for the year		**14,120**	**-**	**14,120**	13,126	(51)	13,075

The consolidated results relate wholly to continuing activities.
The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 25 September 2018.

Martin Nurse
Chairman

Gavin Cansfield
Chief Executive

Association Statement of Comprehensive Income

	Note	2018 Continuing Operations £'000	2018 Discontinued Operations £'000	2018 Total £'000	2017 Continuing Operations £'000	2017 Discontinued Operations £'000	2017 Total £'000
Turnover	3	**68,378**	**-**	**68,378**	64,277	-	64,277
Operating costs	3	**(48,802)**	**-**	**(48,802)**	(40,220)	(376)	(40,596)
Operating surplus	5	**19,576**	**-**	**19,576**	24,057	(376)	23,681
Gain on disposal of property, plant and equipment	6	**1,287**	**-**	**1,287**	16	-	16
Interest receivable	7	**1,093**	**-**	**1,093**	1,383	59	1,442
Interest and financing costs	8	**(11,411)**	**-**	**(11,411)**	(11,191)	-	(11,191)
Movement in fair value of ineffective financial instruments	34	**2,393**	**-**	**2,393**	(11)	-	(11)
Surplus before tax		**12,938**	**-**	**12,938**	14,254	(317)	13,937
Taxation	12	**(7)**	**-**	**(7)**	(212)	-	(212)
Surplus for the year		**12,931**	**-**	**12,931**	14,042	(317)	13,725
Other comprehensive income							
Actuarial gain in respect of pension schemes	26	**(987)**	**-**	**(987)**	762	-	762
Revaluation of effective financial instruments	34	**3,265**	**-**	**3,265**	(1,992)	-	(1,992)
Revaluation of investments	16/17	**(189)**	**-**	**(189)**	370	-	370
Total comprehensive surplus for the year		**15,020**	**-**	**15,020**	13,182	(317)	12,865

The accompanying notes form part of these financial statements.
The financial statements were approved by the Board on 25 September 2018.

Martin Nurse
Chairman

Gavin Cansfield
Chief Executive

Consolidated Statement of Changes in Reserves

	Income and expenditure reserve	Investments revaluation reserve	Financial instrument hedging reserve	Total
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 April 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**
Total comprehensive surplus for the year	14,120			14,120
Revaluation of financial instruments			3,265	3,265
Revaluation of investments		(189)		(189)
Transfer from revaluation reserve to other comprehensive income	(3,076)			(3,076)
Balance at 31 March 2018	**86,056**	**1,672**	**(31,663)**	**56,065**

The accompanying notes form part of these financial statements.

Association Statement of Changes in Reserves

	Income and expenditure reserve	Investments revaluation reserve	Financial instrument hedging reserve	Total
	£'000	**£'000**	**£'000**	**£'000**
Balance as at 1 April 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**
Total comprehensive surplus for the year	15,021	-	-	15,021
Revaluation of financial instruments	-	-	3,265	3,265
Revaluation of investments	-	(189)	-	(189)
Transfer from revaluation reserve to other comprehensive income	(3,076)	-	-	(3,076)
Balance at 31 March 2018	**86,013**	**1,672**	**(31,663)**	**56,022**

The accompanying notes form part of these financial statements.

Group and Association Statement of Financial Position

		Group		Association	
		2018	2017	**2018**	2017
Fixed assets	Note	**£'000**	£'000	**£'000**	£'000
Intangible fixed assets	13	**287**	321	**273**	321
Tangible fixed assets – housing	14	**356,446**	355,666	**356,446**	355,666
Tangible fixed assets – other	15	**4,699**	4,909	**4,699**	4,909
Investment properties	16	**1,705**	1,700	**1,180**	1,175
Investments	17	**7,312**	7,505	**7,312**	7,505
		370,449	370,101	**369,910**	369,576
Current assets					
Properties held for sale	18	**13,124**	27,752	**8,926**	15,544
Stock		**190**	112	**190**	112
Trade and other debtors	19	**2,521**	2,269	**7,181**	13,897
Cash and other cash equivalents		**70,815**	44,031	**70,669**	43,884
		86,650	74,164	**86,966**	73,437
Creditors: amounts falling due within one year	20	**(23,733)**	(16,229)	**(23,554)**	(15,919)
Net current assets		**62,917**	57,935	**63,412**	57,518
Total assets less current liabilities		**433,366**	428,036	**433,322**	427,094
Creditors: amounts falling due after more than one year	21	**(375,808)**	(385,776)	**(375,808)**	(385,776)
Provision for liabilities					
Pension liability	26	**(1,492)**	(316)	**(1,492)**	(316)
Total net assets		**56,065**	41,944	**56,022**	41,002
Reserves					
Income and expenditure reserve		86,056	75,011	86,013	74,069
Investments revaluation reserve		1,672	1,861	1,672	1,861
Financial instrument hedging reserve		(31,663)	(34,928)	(31,663)	(34,928)
Total reserves		**56,065**	**41,944**	**56,022**	41,002

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 25 September 2018.

Martin Nurse
Chairman

settle group

Gavin Cansfield
Chief Executive

Company number: 30003R

Consolidated Statement of Cash Flows

		2018	2017
	Note	**£'000**	**£'000**
Net cash generated from operating activities	28	**44,976**	38,424
Cash flow from investing activities			
Purchase of construction and improvements of housing properties	14	(13,309)	(7,430)
Purchase of other fixed assets	13 & 15	(225)	(499)
Proceeds from sale of tangible fixed assets	6	5,948	4,970
Grants received	22	708	722
Interest received		154	315
Corporation tax		(46)	(620)
Net cash outflow from investing activities		**(6,770)**	(2,541)
Cash flow from financing activities			
Interest paid		(11,422)	(11,335)
Total cash outflow from financing activities		**(11,422)**	(11,335)
Net change in cash and cash equivalents		**26,784**	24,547
Cash and cash equivalents at beginning of the year		**44,031**	19,484
Cash and cash equivalents at the end of the year		**70,815**	44,031

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 and Association's principal activities is the management and development of affordable and supported housing.

settle group has one subsidiary Rowan Homes (NHH) Ltd which is a registered company developing new houses for sale.

2 Accounting policies

Basis of accounting

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.

settle is a public benefit entity in accordance with FRS102.

The financial statements are presented in Sterling (£).

Disclosure exemptions

The individual accounts of settle group have 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 to and management of financial risks.

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 committed reinvestment and development programmes, 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 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 33 details the financial instruments.
- **Defined benefit pension scheme**- actuarial assumptions have been made in determining the valuation. Note 26 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 of development schemes which are practically complete and capitalised in the year was £9.1m relating to the following schemes:

Blackhorse Road, LGC	£5.9m
Station Road, Baldock	£1.6m
Telford Way, London Colney	£1.0m
Siccut Road, near Hitchin	£0.2m
Victor Smith Court, St Albans	£0.2m
Kingsway, Dunstable	£0.2m

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. £374k of supporting people income was recognised in the year (2017: £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.

Estimation uncertainty

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

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 and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation of housing properties as at 31 March 2018 was £74.2m (2017: £69.4m). The carrying amount of the housing properties was £356m (2017: £356m) at the year ended 31 March 2018.

Defined benefit obligation

Management's estimate of the defined benefit obligation 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 liability and the annual defined benefit expenses (as analysed in Note 26). The liability at 31 March 2018 was £1,492k (2017: £316k).

Fair value measurement

Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets including investment properties. This involves developing estimates and assumptions consistent with how market participants would price the instrument or asset. Management bases its assumptions on observable data as far as possible, but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices.

Fair value measurements were applied to one loan, which had options in the year. The total value of this instrument was £45m at 31 March 2018 (2017: £51m).

Fair value measurements were applied to investment properties in the year. Refer to Note 16 for more details.

Basis of consolidation

The Consolidated Group accounts include the accounts of the Association and its subsidiary at 31 March using the acquisition method.

The consolidated financial statements incorporate the financial statements of the Association and entity controlled by the Group (and its subsidiary). 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 disposal, as appropriate, using accounting policies consistent with those of the parent. All intra-Group transactions, balances, income and expenses are eliminated in full on consolidation.

Investment in subsidiaries

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

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 at the invoiced value (excluding VAT where recoverable) of goods and services supplied in the year and 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. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Taxation

Current tax is recognised for the amount of income tax payable in respect of the taxable surplus for the current or past reporting periods using the tax rates and laws that have been enacted or substantively enacted by the reporting date.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated.

Deferred tax is recognised when income or expenses from a 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.

Deferred tax relating to investment property that is measured at fair value is measured using the tax rates and allowances that apply to the sale of the asset, except for investment property that has 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. Deferred tax is measured on an undiscounted basis.

With the exception of changes arising on the initial recognition of a business combination, the tax expense (income) is presented either in income and expenditure, other comprehensive income or reserves 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 a 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 entities which intend either to settle current tax liabilities and assets on a 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 it 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

(a) interest on borrowings specifically financing the development programme after deduction of related grants received in advance; or

(b) a fair amount of interest on borrowings of the Association as a whole after deduction of SHG received in advance to the extent that they can be deemed to be financing the development programme.

Other interest payable is charged to income and expenditure 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 are recognised at fair value using a valuation technique with any gains or losses on the ineffective financial instruments being reported in surplus or deficit and any effective financial instruments being recorded in the financial instrument hedging reserve. At each year end, the instruments are revalued to fair value.

Debtors

Short term debtors are measured at transaction price, less any impairment. Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

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

The Group operates a defined benefit scheme (LGPS) contracted out of the state scheme for employees, who were transferred under TUPE from the NHDC scheme.

The pension scheme, which is closed to new employees, is valued every three years by a professionally qualified independent actuary, or more often when there are changes in circumstances, 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 1 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.

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.

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.

On disposal of an asset for which non-monetary government grant was received by the social landlord any unamortised grant remaining within liabilities in the statement of financial position is derecognised and recognised as income in the statement of comprehensive income.

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 settle, the remaining proceeds is recycled to the Fund.

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 Homes England (formerly the Homes and Communities Agency), local authorities, and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

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 Homes England. 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 repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as income in income and expenditure.

Where individual components are disposed of and this does not create a relevant event for recycling purposes, any grant which has been allocated to the component is released to income and expenditure.

Other grants

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

Intangible fixed assets

Software is treated as an intangible 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

Housing properties are assessed annually for impairment indicators. Where indicators are identified, an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment loss is recognised as operating expenditure. Where a scheme 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

Other tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

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%

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.

Assets held under finance leases are recognised initially at the fair value of the leased asset (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

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 expense equal to amounts owed to the lessor.

The aggregate benefit of lease incentives are recognised as a reduction to the expense 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.

Provisions for liabilities

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

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

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

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

Financial instrument hedging 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.

Investment reserve

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

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

3a Group – continuing activities

			2018	
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings	**51,858**	**(13,859)**	**(20,371)**	**17,628**
Other social housing activities				
Current asset property sales	**4,583**	**(2,882)**	**(235)**	**1,466**
Charges for support services	**1,348**	**(401)**	**-**	**947**
Supporting people	**374**	**(100)**	**-**	**274**
Other	**2,326**	**-**	**(190)**	**2,136**
	8,631	**(3,383)**	**(425)**	**4,823**
Non-social housing activities	**17,519**	**(18,144)**	**(2,827)**	**(3,452)**
	78,008	**(35,386)**	**(23,623)**	**18,999**

			2017	
	Turnover	Cost of sales	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

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

3a Association – continuing activities

	2018			
	Turnover	**Cost of sales**	**Operating expenditure**	**Operating surplus**
	£'000	**£'000**	**£'000**	**£'000**
Social housing lettings	**51,858**	**(13,859)**	**(20,371)**	**17,628**
Other social housing activities				
Current asset property sales	**4,583**	**(2,882)**	**(235)**	**1,466**
Charges for support services	**1,348**	**(401)**	**-**	**947**
Supporting people	**374**	**(100)**	**-**	**274**
Other	**2,326**	**-**	**(190)**	**2,136**
	8,631	**(3,383)**	**(425)**	**4,823**
Activities other than Social Housing	**7,889**	**(8,571)**	**(2,193)**	**(2,875)**
	68,378	**(25,813)**	**(22,989)**	**19,576**

	2017			
	Turnover	Cost of sales	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
Activities other than Social Housing	5,583	(4,591)	(1,540)	(548)
	64,277	(20,204)	(20,392)	23,681

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

					2018	2017
	General needs housing	Supported housing and housing for older people	Temporary social housing	Low cost home ownership	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Rent receivable net of identifiable service charges	41,280	3,731	684	762	46,457	46,461
Service charge income	435	607	42	83	1,167	1,453
Other revenue income	2,961	572	104	43	3,680	3,650
Amortised government grants	494	10	13	28	545	541
Government grants taken to income	9	-	-	-	9	9
Turnover from social housing lettings	45,179	4,920	843	916	51,858	52,114
Management	(6,258)	(3,380)	(287)	(206)	(10,131)	(8,800)
Service charge costs	(4,514)	(642)	(26)	(76)	(5,258)	(5,367)
Routine maintenance	(2,318)	(319)	-	(35)	(2,672)	(2,161)
Planned maintenance	(1,817)	(95)	(6)	-	(1,918)	(1,348)
Major repairs expenditure	(62)	(4)	-	-	(66)	(289)
Bad debts	(365)	(7)	(12)	(2)	(386)	(96)
Depreciation of housing properties	(7,831)	(784)	(83)	-	(8,698)	(8,459)
Other costs	(4,092)	(809)	(96)	(104)	(5,101)	(5,052)
Operating costs on social housing lettings	(27,257)	(6,040)	(510)	(423)	(34,230)	(31,572)
Operating surplus on social housing lettings	17,922	(1,120)	333	493	17,628	20,542
Void losses	246	103	53	-	402	422

3c Particulars of income and expenditure from non-social housing lettings

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Market Sales	**17,046**	14,951	**7,434**	5,033
Vehicle Workshop	**-**	37	**-**	37
Solar Panel Income	**327**	401	**327**	401
Investment Property Income	**145**	124	**127**	109
Other	**1**	3	**1**	3
	17,519	15,516	**7,889**	5,583

4 Accommodation in management and development

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

	Group		Association	
	2018	2017	**2018**	2017
	No of properties	No of properties	**No of properties**	No of properties
Social housing				
General housing:				
- social rent	**7,316**	7,335	**7,316**	7,335
- affordable rent	**56**	21	**56**	21
Supported housing for older people	**757**	769	**757**	769
Low cost home ownership	**262**	230	**262**	230
Temporary social housing	**104**	108	**104**	108
Leased housing properties	**579**	580	**579**	580
Other	**2,958**	2,918	**2,958**	2,918
Total owned	**12,032**	11,961	**12,032**	11,961
Accommodation managed for others	**-**	-	**-**	
Total managed	**12,032**	11,961	**12,032**	11,961
Accommodation in development at year end	**77**	79	**77**	79

The Group owns seven supported housing units (2017: 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.

5 Operating surplus

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

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Depreciation of housing properties (note 14)	**8,698**	8,452	**8,698**	8,452
Impairment of investment property (note 16)	**-**	300	**-**	175
Impairment of Assets (note 14)	**-**	468	**-**	468
Other Impairment	**-**	87	**-**	87
Impairment of investment (note 16)	**-**	125	**-**	-
Amortisation of intangible Fixed Assets	**137**	124	**137**	124
Depreciation of other tangible fixed assets (note 15)	**438**	662	**438**	662
(loss) on disposal of other tangible fixed assets	**-**	(25)	**-**	(25)
Amortisation on Capital Grants	**(545)**	(541)	**(545)**	(541)
Operating lease rentals				
- land buildings	**-**	2	**-**	2
- office equipment and computers	**18**	35	**18**	35
Auditors' remuneration (excluding VAT)				
- Fees payable to the Association's auditors for the audit of financial statements	**33**	33	**33**	33
- 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**	4	**-**	-
Total audit services	**42**	42	**38**	38

6 Surplus or (loss) on sale of fixed assets – housing properties

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Disposal proceeds	**5,825**	4,970	**5,825**	4,970
Carrying value of fixed assets	**(1,095)**	(2,179)	**(1,095)**	(2,179)
	4,730	2,791	**4,730**	2,791
Capital grant recycled (see note 23)	**(176)**	(231)	**(176)**	(231)
Disposal proceeds fund (note 24)	**(2,728)**	(2,418)	**(2,728)**	(2,418)
Total surplus or (loss) on sale of other fixed assets	**(539)**	(126)	**(539)**	(126)
	1,287	16	**1,287**	16

7 Interest receivable and other income

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Interest receivable on deposits	**72**	28	**72**	28
Intercompany interest	**-**	-	**324**	437
Interest received on investment bonds	**268**	457	**268**	457
Other Interest Received	**429**	520	**429**	520
	769	1,005	**1,093**	1,442

8 Interest and financing costs

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Defined benefit pension charge	**(403)**	(466)	**(403)**	(466)
Loans and bank overdrafts	**(11,352)**	(11,323)	**(11,352)**	(11,323)
Interest payable capitalised on housing properties under construction	**344**	598	**344**	598
	(11,411)	(11,191)	**(11,411)**	(11,191)
Capitalisation rate used to determine the finance costs capitalised during the period	**3.3%**	3.9%	**3.3%**	3.9%

9 Employees

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

Group and Association – Average number	2018	2018	2017	2017
	No.	FTE.	No.	FTE
Business support	40	38	41	39
Housing	32	32	32	45
Direct labour	65	64	68	65
Care	93	74	95	74
Channel and communications	28	26	19	18
Development	11	11	10	9
Non-executive	10	10	10	10
	279	255	275	260

Employee costs:

		Group		Association
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Wages and salaries	8,901	8,285	8,901	8,285
Social security costs	863	784	863	784
Other pension costs	539	577	539	577
	10,303	9,646	10,303	9,646

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

	2018	2017
	No.	No.
£60,001 to £70,000	5	4
£70,001 to £80,000	3	4
£80,001 to £90,000	4	-
£90,001 to £100,000	1	-

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 26.

10 Board members and executive directors

Executive directors

	Basic salary	Benefits in kind	Loss of office	Employer's pension	Employer's NI	2018 Total	2017 Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive							
Gavin Cansfield	155	1	-	19	20	195	176
Director of Finance and Resources							
Alan Park	-	-	-	-	-	-	208
Simon Rogers	65	-	-	4	8	77	-
Nazar Al-Khalili	10	-	-	-	1	11	-
Director of Homes and Customer Experience							
Shaun Holdcroft	119	-	-	9	15	143	123
						426	507

The Group conclude that the executives are the key management personnel; the total cost for the personnel is £426k (2017: £507k).

During the year, an amount of £10,278 (2017: £62,478) was paid to Housing Association Charitable Trust (HACT), which is a not for profit charity, of which Gavin Cansfield is the Chair of the Board. settle works with HACT on a range of initiatives to support the organisations development during challenging times for the sector. Gavin Cansfield received no financial benefit from these transactions and the decision to commission HACT was taken independently by the Board.

The emoluments of the highest paid director, the Chief Executive excluding pension contributions, was £155k (2017: Chief Executive £140k).

10 Board members and executive directors (continued)

Board members

		2018 Total	2017 Total
		£'000s	£'000s
Chair of Board	Martin Nurse	**13**	13
Vice Chair	Peter Lipman	**4**	9
Chair of Committee	Philip Day	**7**	7
Board Members	David Barnard	**5**	5
	William Davidson	**-**	2
	Marie Li Mow Ching	**9**	9
	Christine Anthony	**5**	5
	Stacey Brewer	**5**	5
	Jane Gray	**5**	5
	Victor Dove	**5**	3
	Katherine Vowles	**5**	3
	Julian Baust	**4**	-
		67	66

Remuneration in respect of:	**2018 Total**	2017 Total
	£'000s	£'000s
Board duties	**68**	66
	68	66

Remuneration is payable at the following annual rates:	**2018**	2017
	£	£
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

11 Key management personnel

The aggregate remuneration for key management personnel, which includes the executive directors and other members of the senior management team, charged in the year is:

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Basic salary	**963**	721	**963**	721
Benefits in kind	**1**	2	**1**	2
Loss of Office	**20**	11	**20**	11
Employers NIC	**121**	183	**121**	183
Pension contributions	**51**	98	**51**	98
Total	**1,156**	1,015	**1,156**	1,015

The Chief Executive is a member of the Social Housing Pension Scheme. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Association does not make any further contribution to an individual pension arrangement for the Chief Executive.

During the year, the aggregate compensation for loss of office of key management personnel was £20k (2017: £31k).

12 Tax on surplus on ordinary activities

		Group		Association
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Current tax				
UK corporation tax on surplus for the year	**-**	(74)	**-**	(60)
Adjustments in respect of prior years	**7**	(144)	**7**	(152)
Total tax on results on ordinary activities	**7**	(218)	**7**	(212)

The tax assessed for the year is lower than the standard rate of corporation tax in the United Kingdom at 19% (2017: 20%). The differences are explained as follows:

		Group		Association
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Total tax reconciliation				
Surplus on ordinary activities before tax	**12,030**	14,153	**12,931**	13,937
Theoretical tax at UK corporation tax rate 19% (2017:20%)	**2,285**	2,689	**2,456**	2,648
- tax on other comprehensive income items	**164**	164	**164**	164
- depreciation on non-qualifying assets	**(1,768)**	(1,703)	**(1,768)**	(1,703)
- Amortisation on Grants	**104**	103	**104**	103
- other non-deductible expenditure	-	(240)	**-**	(216)
- on charitable activities not taxable	**(785)**	(1,375)	**(956)**	(1,360)
- adjustments to tax charge in respect of prior periods	**7**	144	**7**	152
Total tax charge	**7**	(218)	**7**	(212)

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.

13 Intangible fixed assets

	Group	Association
	Software	**Software**
	£'000	**£'000**
Cost		
As at 1 April 2017	646	646
Additions	135	121
Disposals	(32)	(32)
As at 31 March 2018	**749**	**735**
Depreciation		
As at 1 April 2017	(325)	(325)
Charge for the year	(137)	(137)
Eliminated on disposals	-	-
As at 31 March 2018	**(462)**	**(462)**
Net Book Value 2018	**287**	**273**
Net Book Value 2017	321	321

14 Fixed assets – housing properties

Group and Association – housing properties

	Social housing properties held for letting	Housing properties for letting under construction	Completed shared ownership housing properties	Shared ownership housing properties under construction	Total housing properties
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At 1 April 2017	390,176	8,641	20,193	2,910	421,920
Reclassifications	1,375	(2,050)	(1,375)	2,050	-
Works to existing properties – Additions	2,662	1,290	-	7,017	10,969
Interest capitalised	-	344	-	-	344
Moved to OFA's		(6)			(6)
Schemes completed	5,302	(5,302)	3,772	(3,772)	-
Disposals	(1,745)		(800)		2,545
At 31 March 2018	**397,770**	**2,917**	**21,790**	**8,205**	**430,682**
Depreciation and impairment					
At 1 April 2017	(66,254)	-	-	-	(66,254)
Depreciation charged in year	(8,698)	-	-	-	(8,698)
Released on disposal	716	-	-	-	716
At 31 March 2018	**(74,236)**	**-**	**-**	**-**	**(74,236)**
Net Book Value					
At 31 March 2018	**323,534**	**2,917**	**21,790**	**8,205**	**356,446**
At 31 March 2017	323,922	8,641	20,193	2,910	355,666

During the financial year some development schemes changed the tenure mix to maximise the benefit for the housing association in line with the strategic plan; this has resulted in the reclassifications identified in note 14.

The housing property stock is held at cost, at each year end the stock is externally re-valued by Jones Lang LaSalle using EUVSH valuation method. This valuation does not include uncharged properties.

		2018	2017
		£'000	£'000
Valuation		**518,250**	515,840

Expenditure on works to existing properties

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Improvement works capitalised	**2,662**	2,090	**2,662**	2,090
Amounts charged to income and expenditure	**1,782**	4,234	**1,782**	4,234
	4,444	6,324	**4,444**	6,324

Social housing assistance

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Received or receivable at 31 March	**49,956**	48,651	**45,956**	48,651
Recognised in the Statement of Comprehensive Income	**(69)**	(2,695)	**(69)**	(2,695)
Held as deferred income	**45,887**	45,956	**45,887**	45,956

Finance costs

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Aggregate amount of finance costs included in the cost of housing properties	**5,039**	4,695	**5,039**	4,695

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.

There was no impairment incured in the financial year.

15 Tangible fixed assets – other

	Group and Association					
	Freehold offices	**Long leasehold property**	**Computers and office equipment**	**Furniture fixtures & fittings**	**Motor vehicles**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At 1 April 2017	3,286	2,317	1,019	313	823	7,758
Additions	-	-	218	9	-	227
Disposals	-	-	-	-	-	-
At 31 March 2018	**3,286**	**2,317**	**1,237**	**322**	**823**	**7,985**
Depreciation						
At 1 April 2017	(610)	(820)	(779)	(91)	(548)	(2,848)
Charged in the year	(60)	(40)	(110)	(27)	(201)	(438)
Released on disposal	-	-	-	-		
At 31 March 2018	**(670)**	**(860)**	**(889)**	**(118)**	**(749)**	**(3,286)**
Net Book Value						
At 31 March 2018	**2,616**	**1,457**	**348**	**204**	**74**	**4,699**
At 31 March 2017	2,675	1,498	240	222	274	4,909

16 Investment properties non-social housing properties held for letting

Investment properties were valued as at 31 March 2018. 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	
	2018	2017	**2018**	2017
	£'000s	£'000s	**£'000s**	£'000s
At 1 April	**1,700**	1,150	**1,175**	1,150
Addition	**-**	850	**-**	200
Increase/(Decrease) in value	**5**	(300)	**5**	(175)
At 31 March	**1,705**	**1,700**	**1,180**	**1,175**

The Group hold 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.

17 Investments

Group and Association	2018	2017
	£'000s	£'000s
At 1 April	7,506	7,136
(Decrease)/Increase in valuation	(194)	370
At 31 March	7,312	7,506

The investments are charged as security for the Group's £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 2018 and are recorded in the accounts at the market value £7,312k at that date (2017: £7,506k).

Investment in subsidiaries

As required by statute, the financial statements consolidate the results of settle group and Rowan Homes (NHH) Ltd (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) Ltd is trading as a developer of residential properties for sale and is a non-regulated entity. The company is not a registered social landlord. settle is the ultimate parent undertaking.

Rowan Homes (NHH) Ltd

settle, 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) Ltd	2018	2017	Allocation basis
	£'000s	£'000s	
Development costs	3,194	10,135	Cost
Interest	323	444	4.21% (2017: 4.11%) on loan balance
Overheads	635	556	Sq. Meterage
Investment property	525	525	At Valuation
	4,677	11,660	

These amounts relate to all costs and salaries incurred for Rowan Homes' specific schemes. 49% (2017: 47%) was recharged to settle from Rowan Homes, to cover the cost of management of the development of social properties by Rowan Homes for settle.

18 Properties for sale

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Shared ownership first tranche development				
Completed Properties	**192**	-	**192**	-
Work in progress	**2,593**	2,611	**2,593**	2,611
	2,785	2,611	**2,785**	2,611
Properties developed for outright sale				
Completed properties	**5,212**	15,352	**2,270**	8,479
Work in progress	**5,127**	4,875	**3,871**	443
Land acquired for development	**-**	4,914	**-**	4,011
	13,124	**27,752**	**8,926**	**15,544**

During the year an impairment was recognised for a development scheme of £712k; this was due to sales in the scheme taking longer than anticipated. All properties from that scheme have now been sold.

19 Debtors

	Group	Association		
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Due within one year				
Rent and service charges receivable	**1,899**	1,666	**1,899**	1,666
Less: provision for bad and doubtful debts	**(1,258)**	(851)	**(1,258)**	(851)
	641	815	**641**	815
Amounts due from Group undertakings	**-**	-	**4,677**	11,660
Other debtors	**777**	606	**760**	574
Corporation Tax	**30**	-	**30**	-
Prepayments and accrued income	1,073	848	**1,073**	848
	2,521	**2,269**	**7,181**	**13,897**

The intra-Group balances are loans made to Rowan Homes (NHH) Ltd (note 17); they are charged interest at 4.12% (2017: 4.11%). The final repayment date of the loan is 30 September 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.

20 Creditors: amounts falling due within one year

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Debt (note 25)	**4,500**	-	**4,500**	-
Trade creditors	**1,355**	1,096	**1,355**	1,096
Rent and service charges received in advance	**1,417**	1,280	**1,417**	1,280
Other capital grants received in advance (note 24)	**10,753**	8,002	**10,753**	8,002
Deferred capital grant (note 22)	**594**	550	**594**	550
Corporation tax	**-**	10	**-**	-
Other taxation and social security	**212**	222	**212**	222
Unpaid contributions for retirement benefits	**65**	69	**65**	69
Other creditors	**108**	78	**104**	76
Accruals and deferred income	**4,729**	4,922	**4,554**	4,624
	23,733	16,229	**23,554**	15,919

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

21 Creditors: amounts falling due after more than one year

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Debt (note 25)	**283,451**	287,949	**283,451**	287,949
Derivative fair value	**45,236**	50,894	**45,236**	50,894
Recycled capital grant fund (note 23)	**631**	455	**631**	455
Deferred capital grant fund (note 22)	**45,293**	45,406	**45,293**	45,406
Deferred income	**1,197**	1,072	**1,197**	1,072
	375,808	385,776	**375,808**	385,776

22 Deferred capital grant

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
At 1 April	**45,956**	47,938	**45,956**	47,938
Grant received in the year	**697**	713	**697**	713
Released to income in the year	**(766)**	(2,695)	**(766)**	(2,695)
At 31 March	**45,887**	45,956	**45,887**	45,956

23 Recycled capital grant fund

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
At 1 April	**456**	225	**456**	225
Grants recycled	**175**	231	**175**	231
At 31 March	**631**	456	**631**	456

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

24 Disposal Proceeds Fund – Community Benefit Fund

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
At 1 April	**8,002**	5,517	**8,002**	5,517
Net sales proceeds recycled	**2,727**	2,418	**2,727**	2,418
Repayment of discount	**24**	67	**24**	67
At 31 March	**10,753**	8,002	**10,753**	8,002

25 Debt analysis

Borrowings

	Group		Association	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Due less than one year				
Bank Loans	**4,500**	-	**4,500**	-
Due after more than one year				
Bank loans	**186,800**	191,300	**186,800**	191,300
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
	283,136	287,636	**283,136**	287,636
Less issue costs	**(468)**	(499)	**(468)**	(499)
Total loans	**287,168**	287,137	**287,168**	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 2018 the Group had undrawn loan facilities of £8.7m (2017: £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	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Within one year or on demand	**4,500**	-	**4,500**	-
One year or more but less than two years	**7,000**	11,500	**11,500**	11,500
Two years or more but less than five years	**16,200**	74,500	**16,200**	74,500
Five years or more	**259,936**	201,636	**259,936**	201,636
	287,636	287,636	**287,636**	287,636

26 Pensions

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 2018 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.

The employer's contributions to the LGPS by the Group for the year ended 31 March were £183k (2017: £525k) at a contribution rate of 21.2% of pensionable salaries.

Principal actuarial assumptions: Financial assumptions

	31 March 2018	31 March 2017
	% per annum	% per annum
Discount rate	**2.7**	2.6
Future salary increases	**2.5**	2.5
Future pension increases	**2.4**	2.4
Inflation assumption	**3.5**	3.3

Mortality assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2018 and March 2017 are based on the CMI 2013 model assuming current rates of improvement have peaked and will converge to a long-term rate of 1.25%.

The assumed life expectations on retirement at age 65 are:

	2018	2017
	No. of years	No. of years
Retiring today:		
Males	**22.5**	22.5
Females	**24.9**	24.9
Retiring in 20 years:		
Males	**24.1**	24.1
Females	**26.7**	26.7

Amounts recognised in surplus or deficit

	2018	2017
	£'000	£'000
Current service cost	352	590
Amounts changed to operating costs	**352**	590

	2018	2017
	£'000	£'000
Expected return on scheme assets	(393)	(431)
Interest on scheme liabilities	403	466
Amounts credited to other finance costs	**10**	35

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

	2018
	£'000
Opening scheme liabilities	(15,612)
Current service cost	(352)
Interest cost	(403)
Remeasurements	(1,170)
Benefits paid	552
Provision	(10)
Closing scheme liabilities	(16,995)

Reconciliation of opening and closing balances of the fair value of plan assets

	2018
	£'000
Opening fair value of plan assets	**15,296**
Interest income	**393**
Return on plan assets (in excess of interest)	**183**
Contributions by employer	**183**
Benefits paid	**(552)**
Closing fair value of plan assets	**15,503**

	2018	2017
	£'000	£'000
Net pension liability	**(1,492)**	(316)

	2018	2017
	£'000	£'000
Remeasurements	**1,170**	(1,843)
Return on plan assets (in excess of interest)	**183**	2,605
Actuarial gain in respect of pension schemes	**987**	762

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

	2018	2017
	%	%
Equities	**59**	65
Bonds	**28**	26
Properties	**8**	7
Cash	**5**	3

27 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.

	2018	2017
	No	No
Number of members		
At 1 April	10	10
Joining during the year	-	-
At 31 March	10	10

28 Cash flow from operating activities

	2018	2017
	£'000	£'000
Surplus for the year	**18,998**	24,334
Adjustments for non-cash items:		
Depreciation of intangible fixed assets (note 13)	**136**	124
Depreciation of tangible fixed assets housing properties (note 14)	**8,698**	8,452
Depreciation tangible fixed assets Other fixed assets (note 15)	**438**	511
Amortisation of grant income	**(545)**	(541)
Impairment of fixed assets	**-**	1,006
Allunite consolidation adjustment	**-**	(266)
Decrease in WIP	**14,628**	4,003
Decrease in stock	**(78)**	15
Increase in trade and other debtors	**(222)**	(275)
Increase in trade and other creditors	**3,674**	1,192
Decrease in provisions	**(750)**	(231)
Pension costs less contribution payable		100
Net cash generated from operating activities	**44,977**	38,424

29 Capital commitments

	Group		Association	
	2018	2017	**2018**	2017
Capital expenditure	**£'000**	£'000	**£'000**	£'000
Expenditure contracted for but not provided in the accounts	**11,818**	3,227	**10,794**	3,227
Expenditure authorised by the Board, but not contracted	**28,267**	13,117	**25,205**	13,117
	40,085	16,344	**35,999**	16,344

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

30 Operating leases

The Group has not entered any operating leases (2017:none).

31 Contingent assets/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. (2017: £1.8m).

In August 2018 the Group recognised a potential contingent liability regarding amounts relating to disposal proceed funds (DPF). The outcome liability could be an amount between nil to £1.3m.

32 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 £8,743 (2017: £8,831) with £48 credit as at the 31 March 2018.

Disclosures in relation to key management personnel are included in note 11.

Subsidiaries

The Group has taken the exemptions available under FRS102, section 33 for disclosure of intra-Group transactions

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

33 Financial risk management

The Group identifies five fundamental financial risks to which it is exposed. These are: liquidity risk, counterparty credit risk, interest rate risk, legal/regulatory risk, and operational risk.

Liquidity risk

The Group ensures it has adequate though not excessive cash resources, committed borrowing arrangements, overdrafts, or standby facilities to enable it at all times to have the level of funds available to it which are prudent in relation to the achievement of its business objectives. We hold sufficient liquidity to meet the committed and reasonable contingent liabilities but seek to ensure that we only borrow in advance of need where there is a clear business case for doing so.

Counterparty credit risk

The Group maintains a formal counterparty policy in respect of the entities with which it may place deposits or invest, arrange borrowings on a committed basis, or enter into hedging agreements. We ensure that the counterparty list and limits reflect a prudent approach towards credit risk management. The Group rank the security of principal sums invested ahead of yield earned on credit risk bearing investments.

Interest rate risk

The Group manages its exposure to fluctuations in interest rates with a view to containing its interest costs, or securing its interest revenues, in accordance with the parameters specified in the Group's treasury policy. We manage the risk through the prudent use of approved instruments, methods and techniques. Hedging transactions are only used for the management of risk and the prudent management of financial affairs, and never for speculation.

Legal/regulatory risk

The Group ensure that all of its treasury management activities comply with its Rules, statutory powers and regulatory requirements. We recognise that future legislative or regulatory changes may impact the treasury management activities of which we seek to minimise the risk of changes impacting adversely on the organisation.

Operational risk

The Group identifies the circumstances where treasury operations may expose it to the risk of loss through error, corruption, fraud or other eventualities. We employ suitable treasury systems, controls and procedures, and at all times we maintain effective contingency management arrangements.

34 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

	2018	2017
	£'000	£'000
Financial assets measured at amortised cost	**78,127**	51,536
Financial liabilities measured at fair value	**(45,236)**	(50,894)
Loan commitments measured at cost less impairment	**(287,636)**	(287,636)
Total	**(254,745)**	(286,994)

Financial liabilities measured at fair value (interest rate swaps)

	2018	2017
	£'000	£'000
Prior year recognised losses on hedges	**15,966**	15,955
Recognised losses on hedges through surplus	**(2,393)**	11
Unrecognised losses on hedges	**31,663**	34,928
Total	**45,236**	50,894

The fair values have been calculated by discounting cash flows 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:

	2018	2017
	£'000	£'000
Floating rate	**70,815**	44,031
Fixed rate	**7,312**	7,505
Total	**78,127**	51,536

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.

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:

	2018	2017
	£'000	£'000
Floating rate	**96,336**	96,336
Fixed rate	**191,300**	191,300
Total	**287,636**	287,636

The fixed rate financial liabilities have a weighted average interest rate of 4.3% (2017: 4.2%) and the weighted average period for which it is fixed is 22 years (2017: 23 years).

The debt maturity profile is shown in note 25.

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:

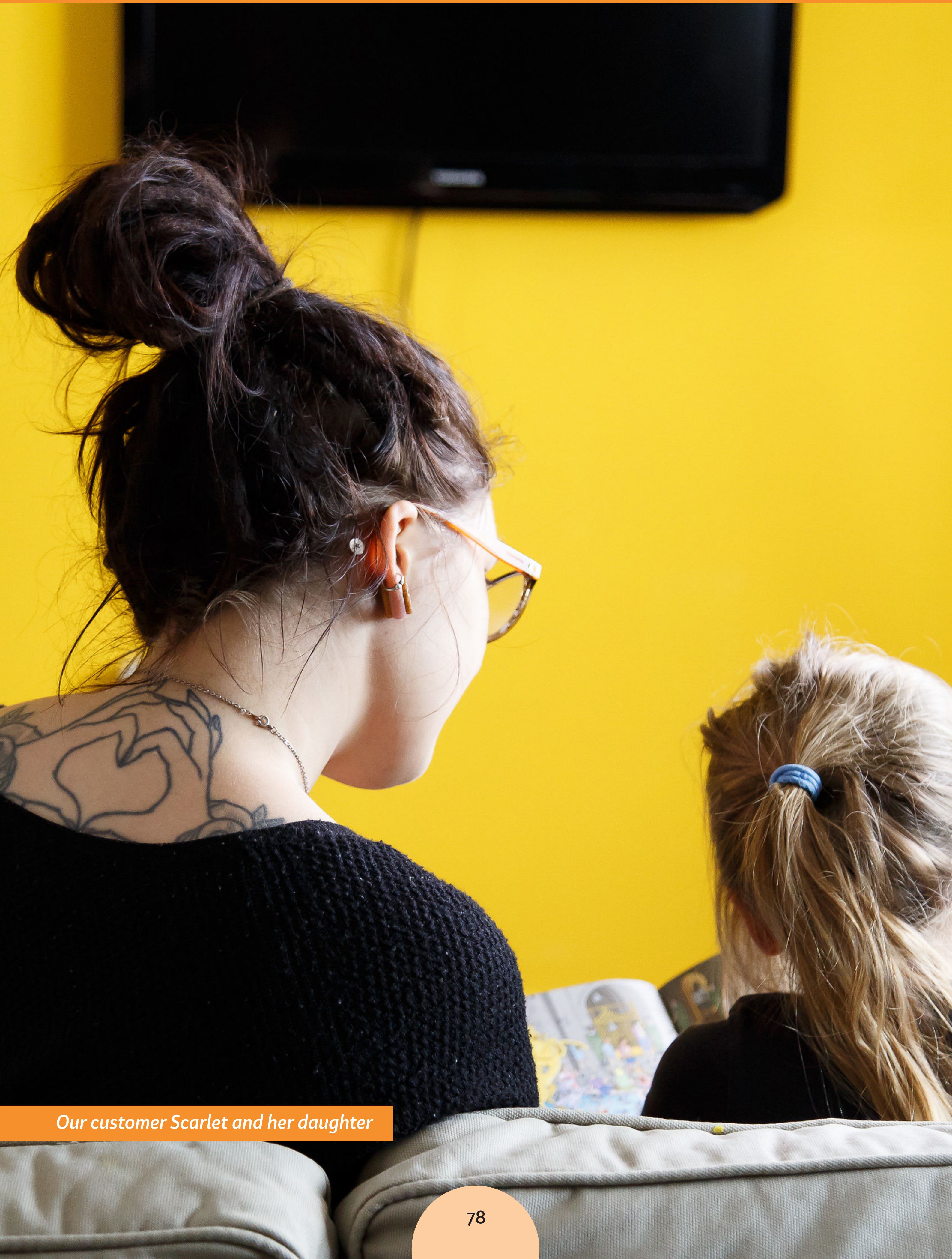
	2018	2017
	£'000	£'000
Expiring in one year or less	**8,700**	-
Expiring in more than one year but not more than two years	**-**	8,700
Total	**8,700**	8,700

35 Post balance sheet events

In May 2018 an SGM was held to amend the composition of the Board in line with the new section 93 rules at this SGM the board voted to change the legal name of the Parent company from North Hertfordshire Homes Limited to settle group. The Association started trading as settle on 23 May 2018 and the legal name was changed on 3 September 2018.

During 2018/19 the Board agreed not to re-tender for the flexi-care contracts with Hertfordshire County Council. This effects five schemes and the contracts are likely to transfer to another provider during 2018/19.

The Group is currently in discussions with Homes England about a repayment of disposal proceeds funds the amount is unclear and is included as a contingent liability note 31.



Our customer Scarlet and her daughter

settle