

Rochdale Boroughwide Housing  
Report and Financial Statements

For the year ended 31<sup>st</sup> March 2017

Community Benefit Society  
Registration No: 31452R.

Registered Housing Provider No: 4607.

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## LEGAL STATUS

The society is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Homes and Communities Agency as a social housing provider.

## ADMINISTRATIVE DETAILS

<b>HCA registration number</b>	4607
<b>FCA Registration Number</b>	31452R
<b>Registered office</b>	Sandbrook House, Sandbrook Way, Rochdale, OL11 1RY

## Executives and advisors

### Board

*\* Attendance figures are for Board, Committee and Subsidiary Board attendance.*

#### **Council nominated Non-Executive Directors**

**Richard Farnell** (retired 26 March 2017 in accordance with transition provisions) - is a trained journalist and communications professional. He was appointed Leader of Rochdale Council in May 2014 having previously served as leader in the 1980's. Previously Richard ran the press office for Liverpool City Council where he was an advisor to the directly-elected Mayor of Liverpool.

*Attendance 44%*

**Sara Rowbotham** (retired 26 March 2017 in accordance with transition provisions) - became a qualified Social Worker in 1993 and specialised in care for people living with H.I.V. and young people's sexual health promotion. Amongst Councillor Rowbotham's responsibilities, she is Chair of the Health, Children and Care Overview and Scrutiny Committee. Councillor Rowbotham has been a strong campaigner for justice in the Rochdale grooming scandal, challenging authorities to do more.

*Attendance 42%*

#### **Appointed Non-Executive Directors:**

**Philip Brown** – is Professor of Social Change and Director of the Sustainable Housing & Urban Studies Unit (SHUSU) at the University of Salford. He has been at the University since 2005. His work focuses on addressing a range of societal issues by providing an evidence base for effective policy making at the local, regional, UK and European levels.

*Attendance 75%*

**Noel Chambers** (Board Chair) - has worked in social housing for over 25 years for registered provider's, mainstream and stock transfer, Council and ALMOs, working in Maintenance, Asset Management and Regeneration roles.

*Attendance 100%*

## **ADMINISTRATIVE DETAILS continued**

**Angela Lomax** (Chair of the HR and Governance Committee) - is a Director of the David Tolson Partnership. Previously a Director at Savills and Tribal Consulting. She has over 20 years' experience within the public and private sector, including working for Oldham Council, a North West based housing association and 3 years in a regulatory role with the Housing Corporation.

*Attendance 88%*

**Lee Sugden** (Chair of the Audit Committee) - is Chief Executive of Salix Homes in Salford, Greater Manchester. After training as an accountant in the NHS, he chose a career in Housing 15 years ago. Lee champions delivering high value services through the most effective business systems.

*Attendance 87%*

**Mark Thompson** (Deputy Chair – retired September 2016) - has been a Rochdale resident for 20 years and is active in local voluntary groups. A qualified town planner and housing specialist, Mark is committed to the regeneration of the Borough and to providing high quality affordable homes. Mark works for nearby Calderdale Council, leading on a range of environmental, housing and business development work.

*Attendance 100%*

**Luen Thompson** - has a career spanning some 21 years in the voluntary sector with sector leading organisations such as NSPCC and Barnardo's where she has worked extensively on fundraising projects to support disadvantaged children and young people.

*Attendance 85%*

**Asrar Ul-Haq** (Joined September 2016) - Having graduated with an Honours Degree in Applied Sciences, Asrar joined the police service and served almost half his career in Rochdale gaining an understanding of the community he lives in. He is currently the Director of Armann Consultants Ltd, he is a member of the University of Manchester General Assembly and also a member of the Advisory Committee to the Lord Chancellor. Asrar was the recipient of a Home Office award for innovation and a national award for leadership. He was invited to sit on Her Majesty's Honours sub committees and sat on the steering committee for Cancer Research UK. He was also a parent Governor at Rochdale Sixth Form College.

*Attendance 86%*

### **Executive Directors:**

**Gareth Swarbrick** (Chief Executive) – has worked for Oldham Council and Rochdale Council for 15 years. He moved into housing management in 1990 and between 1996 and 2002 worked in Rochdale Council's Housing Strategy Unit. Gareth began working for RBH in 2002 and was appointed Chief Executive in December 2008 and from 2009 onwards led a process which culminated in the transformation of RBH into the UK's first tenant and employee-owned mutual housing society to which the Council transferred its 13,700 homes on 26 March 2012.

*Attendance 89%*

**Nickie Hallard** (Deputy Chief Executive) - joined RBH as Director of Resources in June 2009, having moved from Incommunities, Bradford's transfer housing association where she held the post of Financial Controller. Before moving into housing Nickie had a varied career in local government, retail and financial services.

*Attendance 100%*

## **ADMINISTRATIVE DETAILS continued**

### **Co-opted to Committees:**

**James Bell** - Originally from Northern Ireland, James achieved a BA Honours degree in Accounting and Finance from Newcastle University. After this James joined the graduate programme at Baker Tilly where he qualified as a Chartered Accountant. While at Baker Tilly the audits undertaken by James and his team covered a wide range of companies including construction, further education establishments and social housing providers.

*Attendance 50%*

**Cliff Mills** (Joined 17<sup>th</sup> August 2017) – Cliff writes constitutions and gives governance advice to co-operative and mutual organisations, both in the traditional co-operative sector, and in public services. He helped to design and set up the arrangements for RBH when it was established as a mutual. He joined the HR and Governance Committee in 2017. Cliff is Principal Associate in Mutuo, the mutuals consultancy, and he works with Anthony Collins Solicitors as a consultant on co-operative and mutual work.

*Attendance 50%*

### **Representative Body**

#### **Council Representatives**

Sameena Zaheer

Peter Rush

#### **Tenant Management Organisation Appointed Representatives**

Lynne Brosnan – Turf Hill TMO (*Chair of Representative Body*)

Lois Tinker – Hollin TMO (*position suspended 2016 following termination of tenant management agreement*)

#### **Tenant Representatives**

Frank Altham

Anne Black (*re-elected and commenced second term September 2016*)

Andrew Brown (*retired September 2016*)

Peter Brown (*re-elected and commenced second term September 2016*)

Martin Burke (*elected and commenced first term September 2016*)

Rachel David (*elected and commenced a 1 year term September 2016*)

David Fenwick-Finn

Kevin Greenan (*retired September 2016*)

Tony Heaford

Meg Holland (*re-elected and commenced a 2 year term September 2016*)

Patricia Hull (*re-elected and commenced a 1 year term September 2016*)

Nicky Iginla (*retired September 2016*)

Andrew Johnson (*Deputy Chair – re-elected and commenced second term September 2016*)

Clive Jones (*resigned April 2016*)

Sue O'Donovan

Pamela Radcliffe

Stuart Taylor (*elected and commenced a 1 year term September 2016*)

Mary Tomlinson (*retired September 2016*)

Roger Trueman

Sharon Worsley (*elected and commenced first term September 2016*)

## ADMINISTRATIVE DETAILS continued

### Employee Representatives

Rebecca Ashworth (*resigned October 2016*)

Phil Cole (*elected and commenced second non-consecutive term September 2016*)

Tony Dempsey (*retired September 2016*)

Lesley Dobson

Stephen Edwards

Matt Graham (*elected and commenced first term September 2016*)

Julie Greenwell (*re-elected and commenced second term September 2016*)

Sean Landsborough

Mandy Lawrence (*retired September 2016*)

Bryan Porter (*filling temporary position from November 2016 to September 2017*)

Bramly Scott

### Chief Executive

Gareth Swarbrick

### Executive Management Team

Nickie Hallard – Deputy Chief Executive and Director of Resources

Clare Tostevin – Director of Communities

Cath Owston – Director of Customer Services

### Secretary

Edward Carpenter

### Bankers

Natwest,

11 Spring Gardens,

Manchester,

M2 1FB

### Funders

RBS

3<sup>rd</sup> Floor, Kirkstane House,

139 Vincent Street,

Glasgow,

G2 5JF

Santander

2 Triton Square,

Regent's Place,

London,

NW1 3AN.

## **ADMINISTRATIVE DETAILS continued**

### **Solicitors**

RBH has its own legal team based in Sandbrook House

Trowers & Hamlins LLP,  
Heron House,  
Albert Square,  
Manchester,  
M2 5HD

### **Auditors**

BDO LLP,  
3 Hardman Street,  
Spinningfields,  
Manchester,  
M3 3AT

### **Internal Auditors**

RSM,  
3 Hardman Street,  
Manchester,  
M3 3HF

## **CHAIR'S STATEMENT**

On 26<sup>th</sup> March 2017, RBH celebrated its 5<sup>th</sup> Anniversary. In some ways the time has passed so quickly but reflecting on the very many successes during what has been a time of significant change for the sector, really demonstrates the benefits of our mutual model and what people can do when they come together.

I am really pleased to report that all 50 Offer Document Promises, made to tenants at the time of the Transfer have been completed and signed off by one of our Continuous Improvement Groups. Alongside this we have been continuing to focus on our core priorities, whilst taking action to ensure that we can remain a financially viable society in the future, including renegotiating our lending arrangements with our funders resulting in significant savings and flexibilities. Alongside this our Regulator has recent undertaken an In Depth Assessment and as a result our governance rating has been increased to G1, demonstrating the strength of our governance model.

We remain fully committed to mutuality and indeed consider this a real strength in terms of developing our response to current and future challenges. Our members have been actively engaged in reviewing our services and how these are delivered. Their comments have informed the development of our Membership, Engagement and Customer Insight Strategies; they have scrutinised whether our services offer Value for Money – focusing on Grounds Maintenance, Repairs and Empty Homes and made decisions on funding for various community based projects.

During the year, we invested £19m to upgrade our tenants' homes, continuing our focus on the promises made in 2012. This means between 2012 and 2017, 5,580 homes have benefitted from new double glazing, over 7,200 homes have received new secure external doors, over 1,500 homes have received new kitchens, 2,519 new bathrooms have been fitted and 3,919 homes are now benefitting from new central heating systems. Feedback from tenants after the work has been completed has shown that 96% are either satisfied or very satisfied with the works.

RBH's commitment to build 79 new homes through the Homes and Communities Agency Affordable Homes Programme between now and March 2018 continues and during the year work completed on 26 homes on Longridge Drive, Heywood and 11 on Queens Drive, Kirkholt. Also in Kirkholt work continued on 11 new homes on Daventry Road, which are due for completion very early in the New Year.

Work also started on our ambitious plans for the Strand in Kirkholt. This landmark development will provide a ground breaking new community hub building for the use of both RBH and the local community groups together with new high quality shops and 16 new flats. The new Strand is part of wider package of investment which RBH and Rochdale Council are funding together in Kirkholt which also includes the new homes on Daventry Road and Queens Drive referred to above.

I am also pleased to report that we have been successful in securing grant from the Homes and Communities Agency as part of their Shared Ownership Affordable Housing Programme for 2017-2021 which will see RBH build 99 new homes for shared ownership (in Middleton and Milnrow) and Rent to Buy (supporting our regeneration plans for Lower Falinge and Smallbridge).



## **CHAIR'S STATEMENT continued**

We are also proud to be leading intensive work on developing an integrated people and place regeneration proposition for the neighbourhood to the north of Rochdale town centre focused on College Bank and Lower Falinge. This work involves Rochdale Council, the Greater Manchester Combined Authority and a range of other local partners.

Levitt Bernstein are leading the development of a high level masterplan for the neighbourhood, working with the local community and local partners. This and other associated work, involving Planning and extensive community engagement is being funded following a successful bid to the Government's Estate Regeneration Fund.

Of course in addition to all of this we and our tenants are dealing with the continued impacts of Welfare Reform. Recent changes include the reduction of the benefit cap (impacting 81 families) and plans to restrict housing benefit entitlement to the Local Housing Allowance limit (which will in particular effect single under 35 year olds and older people). The roll out of Universal Credit continues in Rochdale and so far over 600 tenants are now receiving their benefits payment directly. Early indications are, similar to the pathfinder organisations, in that we have seen a drop in rent collection rates to around 91% for these tenants. Work continues to help support our tenants.

We continue to see that our mutual model, with tenants and employees working together, is making a difference and we are confident that we are well placed to face the current and future challenges. Our culture continues to develop and we are working hard to ensure that we can all make a difference to the communities in which we live and work. As at the end of March we are proud that our membership had increased to over 5200, with 31% of tenants and 83% of employees choosing to be join. We are obviously committed to growing this number further and to making membership and mutuality really matter.

This will be my final report as Chair as my final term is due to come to an end at our Annual Members Meeting in September. As I look back over my time at RBH I am really proud of our achievements, creating RBH as an independent organisation and going on to become the first tenant and employee owned mutual housing provider in the Country. My personal thanks extend out to all of our members, our Representative Body members, our Board members, our employees, tenants and partners (in particular the Council) without whom there would be no mutual and I wish you all every success in the future.

**Noel Chambers**

**Chair**

## REPORT OF THE BOARD OF MANAGEMENT

### NATURE OF BUSINESS

#### Activities

RBH's principal activity is the letting of social housing. RBH is a registered provider of social housing with the Homes and Communities Agency (HCA) and a Community Benefit Society. A stock transfer took place on 26<sup>th</sup> March 2012, whereby Rochdale Borough Council transferred 13,712 properties to RBH that were previously managed by the company. RBH became a mutual housing society, owned by its tenant and employee members, on 26<sup>th</sup> June 2013.

#### Group Structure

The RBH Group includes the following subsidiaries and joint ventures:

**Safeguard Solutions Ltd (SSL)** is a joint venture between RBH and Securecom (each having a 50% shareholding), Company No. 06387991 which was incorporated on 2 October 2007 and commenced trading in 2009 with its main purpose being to provide security for our communities. SSL has its own auditors (Grant Thornton) and is managed by two directors, one from each of its controlling parties. RBH Director of Service for Communities, Clare Tostevin, is the RBH representative on the SSL Board. On the 3 April 2017 RBH acquired the 50% shareholding of Securecom Ltd in Safeguard Solutions Ltd (SSL). This made SSL a 100% wholly owned subsidiary of RBH.

**RBH Professional Limited** is a private company limited by shares with its own board of directors, set up to undertake trading activities outside of the new RBH's charitable objectives in order to generate additional income to support work in our communities. It was incorporated on 12 October 2011 (company number 07807329), and completed its first trading activity during 2013-14. The Board agreed that the company would cease trading during the 2015-16 financial year and become dormant and as such the company has not undertaken any projects in 2016-17.

**RBH (Design and Build) Limited** is a private company limited by shares with its own board of directors, undertaking the design and build of new homes for RBH Limited, including the 100 units that have secured HCA grant funding as part of the 2011 – 2015 Affordable Housing Programme. This subsidiary was incorporated on 23 December 2011 (company number 7891824). The Board met four times during the financial year.

All group companies have banking arrangements during the financial year with NatWest Bank. BDO are the external auditors of the group accounts. SSL bank with Barclays Bank and Grant Thornton are the company's external auditors. The accounts for SSL are publicly available. Separate accounts are submitted to Companies House for RBH (Design & Build) Limited.

## REPORT OF THE BOARD OF MANAGEMENT continued

### Description

The RBH Group has the following mix of homes in ownership and development:

	RBH Group		RBH Limited	
	2017	2016	2017	2016
Properties in development	46	48	46	48
General needs	12,107	12,501	12,107	12,501
Supported housing	967	954	967	954
Shared ownership	9	9	9	9
Non social housing	1	1	1	1
<b>Total</b>	<b>13,130</b>	<b>13,513</b>	<b>13,130</b>	<b>13,513</b>

All the stock is located in the borough of Rochdale. The stock is predominantly general needs and only 1% is considered not to be compliant with the Decent Homes Standard.

### Regulation

In common with other Registered Providers, RBH are regulated by the social housing regulator (The Homes and Communities Agency - HCA). It is required to comply with the HCA's regulatory code. Capital grant is administered by a separate part of the HCA.

The Regulatory Framework is based on the principle of co-regulation. RBH's unique model is well placed to ensure that there is collective responsibility between its members and Board for the quality of service delivery and meeting the standards. The model is grounded in the principles of openness and accountability which enables co-regulation to genuinely operate in the interests of tenants.

RBH undertakes a quarterly self assessment of its own compliance with the 3 economic standards and the 4 consumer standards prescribed within the regulations. RBH's first regulatory assessment from the HCA was V2 and G1 however following a gas safety issue at Cloverhall the governance assessment was reduced to G2. A detailed action plan was put in place to address the issue and we are pleased to report that following our recent In Depth Assessment our G1 rating has been reinstated.

Further assurance regarding governance effectiveness is provided by the results of the January 2016 internal audit of RBH governance arrangements against the NHF 2015 Code of Governance. This found full compliance and reported substantial assurance to the Board. Furthermore an externally conducted Board and Committee Effectiveness Appraisal review was conducted between October

## REPORT OF THE BOARD OF MANAGEMENT continued

2016 and January 2017. This concluded that the Board's overall effectiveness was good and its Committees excellent.

### **Certification of Compliance with HCA Governance and Financial Viability Standard**

The HCA regulatory framework released in April 2015, had the following new requirement:

*2.8 Registered providers shall assess their compliance with the Governance and Financial Viability Standard at least once a year. Registered providers' boards shall certify in their annual accounts their compliance with this Governance and Financial Viability Standard.*

The Board has undertaken this assessment and is satisfied that the Society is compliant with the HCA's Governance and Financial Viability Standard, although it was noted that changes made to rent statements may have breached the fairness element of Principle 1 of the Data Protection Act. This matter has now been addressed.

### **Employment of Disabled Colleagues**

RBH is an accredited 2 Ticks Positive About Disability employer. This accreditation is reviewed on an annual basis by Job Centre Plus to ensure that we are still meeting the criteria which require us to:

- (a) Guarantee an interview for all disabled applicants if they meet the essential requirements on the job profile;
- (b) Discuss with disabled employees on an annual basis how they can develop and use their abilities – this is undertaken at the Annual Performance Review which all employees are required to undertake;
- (c) Make every effort to retain an employee who becomes disabled – the Society has a Redeployment Policy in place that sets out the support that will be given to anyone who needs to be redeployed into an alternative role. The Society will also support phased return to work and will consider reasonable adjustments to existing roles to support a return to work;
- (d) Make employees aware of disability issues – equality and diversity awareness programmes are run and everyone is required to attend. This year a new working group has been established to increase the awareness of Dyslexia and other similar conditions in the workplace;
- (e) Undertake an annual review with Job Centre Plus – this is normally undertaken in Autumn each year and RBH has been successful with each accreditation review that's been undertaken.

### **Employee Involvement**

Employees are provided with regular updates on key information that impacts on the Society through the monthly newsletter, team meetings, regular messages on the Intranet and circulation of key messages via the all user e-mail system.

## **REPORT OF THE BOARD OF MANAGEMENT continued**

Key changes to structures and policies are always subject to formal consultation with the trade unions at the Society's Consultation Group (SCG) and an Employee Engagement Group is in place in order to encourage participation in developing ideas and proposals for the benefit of all employees. Key Performance Data is published on a monthly basis on the Society's intranet and includes corporate as well as locally agreed indicators.

A monthly financial update is included in the Society's Core Brief to increase a greater understanding of the Society's financial position.

### **Equality and Diversity**

RBH recognises that our members, tenants, employees, Representative Body members, Board members and partners come from many diverse backgrounds, bringing with them different experiences and needs.

We also recognise that some people experience discrimination, harassment and victimisation which can be as a result of, amongst other factors, their age, disability, ethnicity, race or national origin, gender, gender identity, sexual orientation, religion or belief. We also acknowledge that some people face multiple forms of discrimination.

We will work towards eliminating discrimination and promoting equality of opportunity. Our aim is that all members, tenants, employees, Representative Body members, Board Members and partners are valued and respected and their differences valued.

During the period RBH brought in external support from the Housing Diversity Network (HDN) to conduct a health check of all equality & diversity arrangements across the Society; the health check found that RBH was compliant with the Equalities Act 2010. However RBH seeks to go beyond the minimum legislative requirements and in March 2016 the Board approved a strategy to achieve this. The strategy is being led by a Board Champion who has significant experience in leading delivery of equality and diversity within the workplace.

### **RBH VALUE FOR MONEY (VFM) SELF-ASSESSMENT 2016-17**

Ensuring we maximise the value and quality of all our services is central to everything that we do at RBH. 2016-17 was the first year of the introduction of the 1% rent reduction and the first year of our response to that – the Facing the Future Programme - which has identified ongoing savings of £6m from April 2018 now embedded in our business plan.

Our approach to ensuring our financial sustainability into the future is fourfold:

- To use our influence externally where possible to help shape policy and local response

## **RBH VALUE FOR MONEY (VFM) SELF-ASSESSMENT 2016-17 continued**

- To drive out cost reductions.
- To seek out new income sources or investment.
- To challenge, alongside our members, what we do, how we do it, who our target customer are and to consider new delivery mechanisms, partnerships and collaborations to enable us to continue to meet the needs of our tenants whilst ensuring that we have the financial stability needed to protect our social housing assets.

In achieving the £6m savings to ensure our ongoing viability; by renegotiating our finance; and by bidding for and securing HCA grant to expand our new build offering into Rent to Buy and Shared Ownership; we have not let the 1% rent reduction limit our ambition to be a local anchor institution and to build on the economy of Rochdale. We plan to use any flexibility in our business plan to invest in the regeneration in Rochdale. In particular, we are leading a multi-agency partnership with Rochdale Council, the Greater Manchester Combined Authority, Communities and Local Government Department, Homes and Communities Agency and a range of local partners to develop proposals for the regeneration of a large residential area in Rochdale Town Centre in our Lower Falinge and College bank neighbourhoods. We have been successful in securing £518k in enabling grant from the Estate Regeneration Fund (ERF) to support this work.

The Board has a clear understanding of our cost base and how that compares to other peer organisations in the context of the environment in which we operate, and uses information on costs to make informed decisions that ensure we can deliver our vision in the most efficient way possible.

Our new Corporate Strategy will be developed during 2017-18 and this in particular will consider how best to develop our role as a local anchor and build on our mutual approach, and what this means in terms of our future organisational form (including potential acquisitions and mergers), operating model and relationships to other local partners.

We know that any increase in our absolute costs or increase in unit costs as our size reduces through sales and proactive asset management, must be managed through ongoing efficiencies. We are therefore committed to ensuring that we continue to deliver further value for money improvements to make the very best use of the income that we receive from tenants' rents and provide a high standard of service that meets their needs and priorities. Our new VfM Strategy 2016-2019, developed in conjunction with the Representative Body, is set in the context of the need to achieve significant savings to ensure our ongoing viability.

At RBH we see VfM as a balance of factors; all of which are important and all may be vital but in developing the new strategy our members rank them as follows:

1. Financial considerations
2. High quality homes, goods and services
3. Local social and economic benefits
4. Environmental issues

To support this, the 3 key objectives identified in the VfM Strategy, approved by the Board in March 2016 are:

## **RBH VALUE FOR MONEY (VFM) SELF-ASSESSMENT 2016-17 continued**

- Cost reduction whilst maintaining quality
- Further embedding a VfM culture
- Maximising our return on assets

2016-17 has been the first year of delivery towards the £6.0M ongoing savings required by April 2018 and all but £364k has been embedded in budgets. We have also made significant progress in implementing the action plan from our VfM Strategy. A framework has been established to enable customers to challenge and validate our VfM Self-Assessment; VfM awareness training and other communications has taken place via core briefs, and leaders forums; and our Top Ten KPIs have been introduced using business intelligence software.

Detailed analysis of net present value and sustainability indicators at neighbourhood level show our return on assets and these are used as part of our corporate planning process. Our refreshed Strategic Asset Management Strategy reflects the outcomes from our work on neighbourhood profiles and the changing operating environment since the introduction of welfare reform.

Our 2016-17 VfM Self-Assessment also sets out in detail our unit costs; how they compare to the overall sector, and the trends up to 2016-17 and for the next three years. This analysis shows that whilst our costs are currently higher than the average for the sector as a whole, we understand the reasons for this and we have plans in place to maintain them within our Financial Strategy targets.

The Board have reviewed the comprehensive self-assessment of our overall approach to VfM and have concluded that RBH are compliant with the VfM Standard. The full self-assessment is available on the website at [www.rbh.org.uk/value-for-money](http://www.rbh.org.uk/value-for-money) as well as a summary of the document.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL**

### Risk Management

The Directors acknowledge their ultimate responsibility for ensuring that the society has in place a framework for managing exposure to strategic and operational risks. RBH's Risk Management Strategy is designed to identify, analyse and treat all risks and lead to risk management being embedded into the RBH's culture. Regular reports on all significant risks faced by the society are received by the Audit Committee. The Board also receives a Risk report for consideration as a standing item at each meeting. The strategy is reviewed by Audit Committee and Board annually to ensure it remains fit for purpose. The RBH Design and Build Board have its own risk register which is reviewed every time the subsidiary's board meets.

Risk underpins the business planning process with a risk identification and analysis session being undertaken with all areas of the society. The output from these sessions is then used to challenge and update the existing risk registers. These are then reviewed and updated throughout the year by the Risk and Compliance Group which meets on a quarterly basis. The Risk and Compliance Group is attended by all Directors and Heads of Service, though all areas of the business are encouraged to review and challenge the registers and HCA Standards compliance trackers.

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL continued**

2016/17 was the second year of a 3 year contract with our internal auditors RSM (formerly Baker Tilly). Use of their online reporting tools, 4 Action and 4 Risk, is now well established with a number of other teams utilizing this facility to track progress against their own action points.

### Internal Control

It is also the Directors' responsibility to establish and maintain systems of internal control that are appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the society or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposal;
- preventing and/or detecting fraudulent activity;
- ensuring safe working practices are in place and are being implemented;
- ensuring compliance with regulatory standards and statutory duties such as gas safety, data protection and asbestos legislation;
- our ability to maintain core business processes in the event of unforeseen circumstances.

Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the society's assets;
- experienced and suitably qualified employees take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Board and Management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;
- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through relevant committees comprising Board members and others;
- the Directors review reports from management, from internal auditors, from the external auditors and from their own Audit Committee to provide reasonable assurance that the control procedures are in place and are being followed. The Internal Auditors make regular reports to the Board via the Audit Committee;



## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL continued**

- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

A series of framework systems enable RBH to provide a higher level of internal control and assurance on areas of core business. These are:

- Assets and Liabilities Register – this is an integral part of the assurance required to demonstrate compliance with the HCA Governance and Viability Standard. An internal audit of the Register in October 2016 made a number of recommendations and identified management actions. All recommendations have been implemented and further best practice over and above the audit report has also been incorporated into the register. Contracts Register – a subset of the Asset and Liabilities Register, this register contains all of RBH’s current contracts and expired contracts over a 12 month period to provide an indication on the type and level of spend within the organisation. The register enables management to ensure value for money is being achieved and to conduct contract performance evaluations within three months of contract expiration.
- Law Legislation and Regulation (LLR) Register – is used to provide assurance that RBH remains compliant with all relevant law, legislation and regulation. Following peer review work conducted with a regional Governance group, the list of LLR relevant to RBH has refined. This Register will continue to be used to ensure policy leads fully incorporate legislative requirements into RBH policy.

RBH’s comprehensive set of policies and procedures also includes data protection, whistle-blowing, health and safety, complaints handling and Register of Interests for Board members and employees.

All policies and procedures are monitored to ensure they are relevant and up to date and RBH employed RSM to be Internal Auditors during 2016-17, to test and highlight weaknesses in these.

Any weakness that is highlighted is reported back to the Senior Management Team and the Audit Committee, and addressed accordingly. RSM’s annual report for 2016-17 concluded that, based on the work completed, ‘the organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective’. This opinion remains unchanged from 2015/16 and is the second most positive rating available from RSM.

During the year RSM also carried out a number of follow up audits and as a result they were able to verify that of the 58 management actions that were due for implementation within the financial year, 57 were completed with one low priority action remaining in progress.

RBH has also continued to monitor gas safety throughout the year and details of this are now included in the Risk and Compliance update for Board.

Following the tragic Grenfell Tower fire in June 2017 the Greater Manchester housing providers agreed to set up a specific group to share work on fire safety, share best practice and develop a shared approach. RBH is playing an active role in this group. RBH has responded promptly to the

## **STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL continued**

Government's request for information regarding our tower blocks, which do not have any external cladding, which is the focus of current investigation following the Grenfell Tower fire.

All seven blocks at College Bank meet all current fire safety standards and each block has a full fire risk assessment in place and these are carried out on an annual basis. In addition, in the period 2016-2017, RBH have invested in excess of £300,000 in a programme of fire safety upgrades at College Bank, including the fitting of emergency lighting, replacement bin hoppers and upgrades to a number of existing fire doors.

In consultation with Greater Manchester Fire & Rescue Service (GMFRS), RBH have reviewed the evacuation procedures following the Grenfell Tower tragedy. GMFRS have confirmed that the existing procedures are appropriate. RBH has written to all residents in College Bank and have re-issued our fire safety advice to those residents together with a referral form for a free "safe and well" visit which are delivered in partnership with the Fire Service.

As further details emerge about the nature and cause of the fire at Grenfell Tower RBH will be making sure that we fully consider any lessons for the future of College Bank and the options we are currently considering for further investment.

### Internal Audit

During 2016-17 our internal audit facility was provided by RSM. This was the second year of a 3 year contract.

During 2016/17 our auditors made only one high management action, 17 medium management actions; and 22 low management actions, all of which were agreed by management. Those that were due for implementation prior to 31 March 2017 have been completed with the exception of the one low priority management action noted above. In this instance, the action has been discussed in an appropriate forum, and a course of action identified.

The Internal Audit function is outsourced for a number of reasons, most notably

- We can focus our attention on core business activities
- It is easier and more cost effective to buy in the services of an expert than it is to recruit and employ an expert.
- Specialist consultancy firms can give a range of skills that you won't find in one person. For example, you may not only need an accountant but also an information technology or human resources expert.
- By outsourcing the Audit Committee and Board can ensure independence and objectivity.
- The relationship can be easily monitored via a service level agreement.

### External Audit

BDO LLP provides audit services to the RBH Group in accordance with international standards in auditing (UK and Ireland). A one year extension to BDO's initial three year contract was approved by the Representative body on 15 June 2016 to cover the 2016-17 financial year. The external audit contract will therefore be subject to tender in 2017.

## **STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

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

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

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

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

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and association's transactions and disclose with reasonable accuracy at any time the financial position of the Group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

**STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS continued**

**DISCLOSURE OF INFORMATION TO AUDITORS**

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The report of the Board of Management was approved on 12<sup>th</sup> September 2017 and signed on its behalf by:

Edward Carpenter  
**Secretary**  
12<sup>th</sup> September 2017

Noel Chambers  
**Chair of the Board**  
12<sup>th</sup> September 2017

Gareth Swarbrick  
**Chief Executive**  
12<sup>th</sup> September 2017

## STRATEGIC REPORT

### Corporate objectives and strategy

RBH is owned and run by its members. Our Corporate Strategy is developed by tenant and employee members. During 2016-17 we delivered the second year of our corporate strategy 'Our Mutual Future 2015-18'.

We continue to build our values into our day to day work:

**Responsibility** – We take responsibility for, and answer for, our actions

**Equity** – We carry on our business in a way that is fair and unbiased

**Democracy** – We give our members a say in the way we run our business

**Pioneering** – We will seek to be a leader in the way we meet challenges and seek solutions

**Openness & Honesty** – We will share information, do what we say we will do and when we make a mistake we will own up to it

**Caring** – We will listen and respond to the needs of our members, tenants and employees

**Championing** – We will encourage members to take responsibility for our communities and work together to improve them.

### Our vision for Our Mutual Future is

People succeeding together to offer great services and places to live and work.

### The objectives of Our Mutual Future are:

#### Objective 1 – getting our core services right

Members are clearly telling us that we need to concentrate on getting our core services to be more effective.

We are starting to make progress with both the Business Intelligence (BI) and Customer Relationship Management (CRM) systems. We have procured products which we are confident are fit for purpose and are getting our people and processes in place to ensure successful implementation. Our first performance dashboard developed in InPhase (our BI system) launched 3 May 2017 and we are seeking feedback to inform the next phase of development. We have added Castleton Documotive's CRM product to the suite of other products we have from them, including EDRM and agile products used by the repairs team, and are looking at how we use them collectively to deliver great services and enhance the customer experience.

We have continued our work around customer access looking at how best to respond to demand from customers to meet with us face to face or via the telephone. We have already started to offer services online via our website, with the facility to book a repair or pay rent already available, but feel that there is the potential to widen this offering in response to customer interest in online services identified through the STAR survey 2015. If done correctly, it is envisaged that this will bring efficiencies to RBH as well as improving ease of access for customers.

#### Objective 2 - Supporting People and Places

Our discussions with members confirmed that we identify ourselves as a society with a strong sense of 'place' and strong emphasis on 'people' rather than property. Our values mean that we care

## **STRATEGIC REPORT continued**

about others and members want us to support the vulnerable, create opportunities for the young and champion communities.

During 2016-17 we have been carrying out physical remodelling work in a number of neighbourhoods. We continue to monitor supply and demand in all our neighbourhoods and put in place actions to address issues of imbalance identified. Masterplanning for College Bank/Lower Falinge is progressing with the final plan due at the end of 2017.

This work is already starting to have an impact on rent loss performance and tenancy turnover. Longer term we expect to see an increase in satisfaction amongst tenants in these neighbourhoods as lower turnover and fewer empty homes make them more attractive places to live.

### **Objective 3 - Membership and business resilience**

The Board and the Representative Body are proud of our unique status as a mutual housing society and want us to realise the benefits of this.

Members we consulted told us that being a mutual with democratic values should mean greater engagement, with more opportunities to influence activity at a neighbourhood level. Business resilience is about how we maintain income streams to support our investment in neighbourhoods in a challenging time. There was common agreement that our approach needs to be underpinned by efficiency and effectiveness and getting services right is our first strategic objective. We also need to ensure that we achieve Value for Money in all that we do.

We have continued to build on the principle of taking decision making to members and in 2016-17 put c£65,000 in the hands of members to allocate to projects which would bring benefits to the local communities.

In the summer of 2014, when Our Mutual Future was developed, we envisaged having a series of projects under an objective of Business Resilience. This objective was picked up under the 'Facing the Future' programme which ended in September 2016 having delivered the necessary £6m savings. We continue to build a financially strong RBH through both 'business as usual' activities such as the VFM self assessment and strategic projects such as Better Together.

A full update on progress against the Our Mutual Future Action Plan 2015-18 can be obtained from our Secretary. Key to assessing successful delivery of the action plan will be the results of the STAR customer satisfaction survey which will be carried out in 2017-18.

### **Governance Arrangements**

Since becoming mutual on 26<sup>th</sup> June 2013 two bodies have been responsible for governance and strategic direction of the society. The first is the Representative Body, comprised of 15 elected tenant members, 8 elected employee members, and up to a further 8 nominated Representatives. The second is the Board of Directors, which up until 26<sup>th</sup> March 2017 was comprised of 8 Non-executive Directors and two Executive Directors (Chief Executive and the Director of Resources).

## **STRATEGIC REPORT continued**

Two of the Non-executive Director positions were nominated by Rochdale Borough Council. However on 26<sup>th</sup> March 2017 as part of the formal transitional arrangements following transfer these positions ended. On the same day, in accordance with the transitional arrangements, the number of positions on the Representative Body nominated by the Council increased from two to four.

Since mutualisation neither members of the Representative Body nor the Non Executive members of Board are remunerated; they have been compensated for reasonable expenses incurred. However on 30<sup>th</sup> March the Representative Body approved a decision to remunerate the Board Chair position commencing on the date of the 2017 Annual Members Meeting. No other Board or Representative Body positions are to be offered remuneration.

Whilst the Board is legally responsible for the overall control of the affairs of the society, including the monitoring of performance of all its functions and determination of resources to meet its financial and other obligations, the Representative Body is responsible for representing members and the wider interests of the community by offering a strategic framework for the Board to operate within and by holding the Non-executive Directors accountable.

The Representatives and Board members of the society are set out on pages 3 to 6. This includes details of members' professional skills and experience, any additional responsibilities within their respective body and attendance.

### *The Board*

The Board of RBH is committed to the delivery of high quality housing services to its customers, and RBH's aims and objectives embrace the key principles of good governance, i.e. openness, honesty, and responsibility. On 3<sup>rd</sup> June 2015 the Board adopted the National Housing Federation 2015 Code of Governance.

Both the Board and employee structures have been developed to ensure that there is an informed and effective decision making process within the Society. The membership of the Board is listed at the start of these financial statements.

The key Board responsibilities include:

- having overall control of the affairs of the Society;
- monitoring the performance of all the Society's functions;
- determination of resources to meet the Society's financial and other obligations;
- living the values of the society.
- 

The Board met 6 times in 2016-17 and held three joint sessions with the Representative Body.

Sitting on the Board are:

## STRATEGIC REPORT continued

### Board Meetings attended

Richard Farnell	2/6
Sara Rowbotham	2/6
Mark Thompson	3/3
Philip Brown	4/6
Noel Chambers (Board Chair)	6/6
Angela Lomax (HR & Governance Committee Chair)	6/6
Lee Sugden (Audit Committee Chair)	5/6
Asrar Ul-Haq	2/3
Luen Thompson	5/6
Gareth Swarbrick (Chief Executive)	5/6
Nickie Hallard (Deputy Chief Executive)	6/6

In 2016-17 it made the following critical decisions:

- To be party to the Greater Manchester Housing Devolution, Growth and Public Service Reform Memorandum of Understanding;
- To re-state the Society's loan agreement including the establishment of an £85M facility agreement;
- To close the defined benefit Greater Manchester Pension Scheme to new members and to offer new RBH employees membership of the defined contributions Royal London Pension Scheme;
- To launch a government supported programme to identify options for regenerating two large RBH neighbourhoods in the town centre of Rochdale;
- To conduct jointly with two other registered providers a review into whether significant savings could be achieved by delivering shared services.

Since 26<sup>th</sup> June 2013 two committees assist the Board; the Audit Committee and the HR & Governance Committee. Terms of reference for the committees were reviewed as part of the Mutual Governance Excellence Framework review in 2015-16.

### **Audit Committee**

This committee provides the facility for Board members to meet the society's external auditors to discuss their report on the annual accounts and also to review the scope and results of the internal audit work programme. The committee also monitors and advises the Board on compliance with the society's Risk Management Strategy Action Plan and approves the write off of bad debts.

The committee must have a minimum of 3 Non-executive Directors members. Executive Directors cannot serve on the committee nor can the Chair of the Board.



## **STRATEGIC REPORT continued**

The Audit Committee met 4 times in 2016-17.

Sitting on the Audit Committee are:

	Meetings Attended
• James Bell (co-optee)	2 / 4
• Angela Lomax	4 / 4
• Luen Thompson	4 / 4
• Lee Sugden (Chair)	4 / 4

Profiles of the Committee members can be found on pages 3 to 5.

The Audit Committee's responsibilities include:

- To agree and monitor a programme of internal audits for the society to ensure that internal controls management is aligned to key business processes and drives both service improvement and increased efficiency;
- To lead for the Board on all risk management issues including the regular review of the Risk Management Framework.

In 2016-17 it made the following critical decisions:

- It approved the follow up recommendations following the December 2016 floods;
- It reviewed the RBH pension scheme options appraisal and made recommendations to the HR and Governance Committee and Board;
- By conducting a series of risk challenges on key corporate risks from the risk register satisfied itself there was sufficient controls and assurance in place across the Society.

### ***HR and Governance (Remuneration) Committee***

The HR and Governance Committee considers strategic employee matters and makes recommendations to the Board in respect of remuneration, variations to the authorised establishment and significant amendments to conditions of service. The committee also leads on governance to drive forward continuous improvement and maintain the highest standards of governance. The Committee maintains and reviews the Excellence Framework which is the suite of documents that supports our governance structure.

The committee must have a minimum of 3 members of which a minimum of 2 must be Non-executive Directors. Executive Directors cannot serve on the committee neither can the Chair of the Board.

The HR and Governance Committee met 4 times in 2016-17.

Sitting on the HR and Governance Committee are:

	Meetings Attended
• Angela Lomax (Chair)	4 / 4
• Mark Thompson (Retired Sept 16)	1 / 2
• Philip Brown	3 / 4

## **STRATEGIC REPORT continued**

- |  |       |
|--|-------|
| • Sara Rowbotham (Retired 26 March 17) | 1 / 4 |
| • Asrar Ul-Haq                         | 2 / 2 |
| • Cliff Mills (co-optee)               | 1 / 2 |

The HR and Governance Committee's responsibilities include:

- To consider employment issues within the parameters of the scheme of delegation relating to the Society;
- To lead for the Board on ensuring that the society maintains the highest standards of governance and learns from best practice from all sectors;
- To ensure that processes are in place to ensure adherence to regulatory requirements and to receive reports on all cases of non-compliance.

Profiles of the committee members can be found on pages 3 to 5.

In 2016-17 it made the following critical decisions:

- Approved changes to the Society's employee structure as part of delivering RBH's Future Purpose agreed in January 2016;
- Reviewed the RBH pension scheme options appraisal and provided recommendations to the Board;
- Provided direction to the executive on options for delivering a locally negotiated annual pay award;
- Reviewed the options appraisal for remunerating the Board Chair and provided recommendations to the Representative Body.

To ensure the Board maintain sufficient oversight of committee business, a minimum of 3 Non-Executive Directors are required to sit on the HR and Governance and Audit Committees respectively. Minutes from committee meeting minutes are circulated with Board papers. Board meetings require the verbal reporting in of key issues from committees, subsidiary boards and Representative Body meetings. This is an opportunity for the key business of those other meetings to be briefly summarised at Board.

### ***Representative Body***

The Representative Body forms part of RBH's governance structure along with the Board and is the elected body which represents members and the wider community in RBH's decision making process. The composition of the Representative Body is listed on pages 5 to 6.

The Representative Body met 8 times in 2016-17 and held three joint sessions with the Board.

The Representatives responsibilities include:

- Appointing and removing the Chair of the Board of Directors and the other Non-executive Directors;
- Approving the Society's corporate strategy and policy framework;
- Monitoring the performance of the Society and the Board of Directors against the corporate strategy;

**STRATEGIC REPORT continued**

- Establishing, maintaining and monitoring progress of the Membership Strategy.

In 2016-17 it made the following critical decisions:

- Approved the introduction of a series of new governance documents setting out how Representative Body business is conducted and aligned to the NHF 2015 Code of Governance;
- Approved RBH’s Work and Skills Strategy and Engagement Strategy;
- Agreed the Board Chair’s position should be remunerated starting from completion of the Annual Members Meeting 2017;
- Reviewed the Composition of the Representative Body;
- Appointed Asrar al Huq to the Board of Directors and re-appointed Philip Brown and Noel Chambers for a second term on the Board. Due to Noel Chambers’ continuous Board service from before mutualisation, his second term was limited to one year to avoid breaching the recommended nine year limit set by the NHF.

The Representative Body is accountable to the members of the society through the elections process. The third annual elections for the Representative Body were held from 1<sup>st</sup> August to 5<sup>th</sup> September 2016. Members from the tenant and employee constituencies voted with 18% and 58% turn out respectively and electing 9 Tenant and 3 Employee Representatives in total. A breakdown is shown below:

Total	Breakdown
9 Tenant Representatives	5 for full 3 year terms <ul style="list-style-type: none"> <li>• 3 x continuous service</li> <li>• 2 x first time Representatives</li> </ul>
	1 for a 2 year term (filling vacancy) <ul style="list-style-type: none"> <li>• continuous service</li> </ul>
	3 for 1 year terms (filling vacancies) <ul style="list-style-type: none"> <li>• 1 x continuous service</li> <li>• 2 x first time Representatives</li> </ul>

Total	Breakdown
3 Employee Representative	3 for 3 year terms <ul style="list-style-type: none"> <li>• 1 x continuous service</li> <li>• 1 x returning to Representative Body</li> <li>• 1 x first time Representative</li> </ul>

During the 2016-17 period, the Representative Body had 3 working groups and set up a dedicated Communications Working Group. In addition there were a number of task and finish groups established around specific issues. All groups reported back to the Representative Body.

## STRATEGIC REPORT continued

### ***Communication and Engagement Working Group***

The working group met 10 times in 2016-17. Following a review of its Terms of Reference, the Communication and Engagement Working Group's membership is open to all Representatives but as a minimum must have 1 Employee and 3 Tenant Representatives. Unless directly delegated responsibility by the Representative Body, the working group does not take decisions usually reserved for the Representative Body. Instead it progresses work between Representative Body meetings which is subsequently reported back to and decided on by the Representative Body.

The Communication and Engagement Working Group's responsibilities include:

- To deliberate on matters relating to Representative Body external communications and engagement with stakeholders and to make recommendations to the Representative Body on such matters.
- To assist with the effective implementation of the Membership Strategy.
- To shape the delivery of the Annual Members Meeting and the RB's Annual Report to Members.

In 2016-17 it worked on the following important issues:

- Shaping the programme for the Annual Members' Meeting 2016;
- Identifying the content for the Representative Body's annual reports to members;
- Oversight of Overseeing implementation of the Membership Engagement and Representation review's recommendations.

### ***Communications Engagement Working Group***

It is anticipated this newly formed working group will take on the all the Communication responsibilities of the Communication and Engagement Working Group. The group met once in the year, holding its inaugural meeting in March 2017.

### ***Nominations Committee***

In preparation for the retiring of Mark Thompson from the Board in September 2016, the Nominations Committee was formed. It recruited and selected Asrar UI-Haq for appointment to the Board as a Non-executive Director. This was ultimately conducted by the Representative Body on 10<sup>th</sup> August 2016. The Nominations Committee was formed earlier than usual in 2017 to give the Society more time for Board recruitment. This is because the Chair of the Board and two other long standing Non-executive Directors will be stepping down from the Board at the next Annual Members Meeting.

### ***Our Mutual Future***

The Our Mutual Future Working Group met three times in 2016 - 2017. The Group's main objective is to monitor the delivery of the corporate strategy; Our Mutual Future and ensure that is on track. The group regularly reports back and provides assurance to the Representative Body.

## STRATEGIC REPORT continued

### **RBH Membership**

Members are separated into 2 constituencies: tenants and employees. Members have access to information, a voice in the Society and the opportunity to play a representative role in its governance.

	<i>Start of year</i>		<i>End of year</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
<i>Tenant members</i>	4,301	27.4	4,770	31
<i>Employee members</i>	555	87.4	512	81.9

### **Remuneration**

The Representative Body determined that Non-executive Directors do not presently receive any pay, but are allowed to claim expenses in line with the policy which is approved and reviewed annually by the Representative Body. However on 30th March 2017, in preparation for identifying a successor Chair, the Representative Body agreed that the role should be offered £11k per annum.

### **Executive Management Team**

The Chief Executive, the Deputy Chief Executive (Director of Resources) and two other directors (who are not Board members) make up the society's Executive Management Team and act as executives within the authority delegated by the Board. The Executive Management Team is set out on page 6. Insurance policies are in place which indemnifies Board members and employees against liability when acting for the Society.

The Board's Non-executive Directors have responsibility for the remuneration of its executive members and appointing the Chief Executive. Terms and conditions and remuneration were reviewed by the HR and Governance Committee in 2015. Notice periods are four months for the Chief Executive and three months for directors.

The Executive Management Team as RBH employees are also members of the Greater Manchester Pension Fund, a defined benefit (final salary) pension scheme. They participate in the scheme on the same terms as other employees and the Society contributes to the scheme on behalf of its employees. Payments including pension contributions for the Executive Management Team members in the period to 31<sup>st</sup> March 2017 totalled £422k (period to 31<sup>st</sup> March 2016: £422k).

Other executive terms of employment are consistent with standard RBH contracts.

Further details of the Executive Management Team members' remuneration packages are included in note 11 to the audited financial statements.

**STRATEGIC REPORT continued**

**Code of Governance**

RBH has adopted the National Housing Federation’s 2015 Code of Governance. This code was chosen as being the most relevant as it is tailored to the housing sector. During 2016-17 RBH complied with the provisions of the Code with the following exceptions:

Provision	Explanation of non-compliance
B1 The core purpose of the board is to determine vision and strategy, direct, control, and scrutinise a society’s affairs. Where the society has staff, operational management of the society must be delegated to them, and the board must hold them to account.	As a mutual the Representative Body is responsible for approving the Corporate Strategy once it has received the Board's approval.  Reports are prepared for Board by the executive. During meetings, recommendations are scrutinised by Board members and where necessary challenged or rejected.
D Recruitment to board vacancies must be open and transparent and based on the board’s considered view of the skills and attributes required to discharge its functions. The board must select or appoint new members objectively on merit and must undertake regular appraisals of its members and of the board as a whole.	The Representative Body is responsible for appointing NEDs, which is done in an open and transparent manner based on a skills assessment. NED’s are then responsible for appointing the Chief Executive, who in turn is responsible for appointing additional executive directors.  Overall Board effectiveness has recently been externally facilitated.

**Employees**

At the end of 2016-17 RBH employed 588 colleagues of which 322 were male and 266 were female.

During 2016-17 significant achievements that have had an impact on employees have included:

- (a) Developing and introducing the Purchase of Annual Leave Policy
- (b) Introduction of online management of sickness absence cases on the First Care absence management system, with RBH’s triggers built in to automatically flag and alert managers when actions are due; including managers able to record progress and discussions online, so that all information is held centrally
- (c) Introduction of workflows to automatically inform the various relevant persons/teams within RBH when a new employee is appointed or an employee leaves; which ensures there are no delays in setting them up or removing their access to RBH’s network, systems etc.
- (d) Co-ordination and holding of an all colleague conference on a significantly reduced budget, whilst still achieving the main aim to celebrate successes and inform colleagues of the challenges for the forthcoming year
- (e) Appointment of a new Occupational Health provider
- (f) Introducing a new defined contribution pension scheme
- (g) Undertaking job evaluations in-house which has enabled these to be internally prioritised and conducted more speedily

## **STRATEGIC REPORT continued**

- (h) Under the Better Together project (a pioneering collaboration with 2 other local housing providers to deliver quality services and better outcomes); two work streams within the HR and Learning team have identified a number of opportunities to share resources and knowledge, generate efficiencies and savings

### **Significant developments and achievements in 2016-2017**

- The 50 Offer Document promises established upon transfer in 2012 were all completed and signed off in the year including delivery of the final year of the 5 year Improvement programme involving spend of £25m on over 2,000 improvements.
- Towards the end of the financial year, the HCA undertook an In Depth Assessment which resulted in RBH re-gained its G1 rating for governance.
- RBH and Rochdale Council (RBC) continued to work together to review an alternative way of delivering the lettings service considering the impact of welfare reform. We signed an interim Housing Agency Agreement whilst developing the future state of how we allocate our homes and manage the Councils statutory duty and for other clients from April 2018. We have managed the impact of the bedroom tax by supporting tenants under occupying to move into smaller more suitable accommodation and have implemented a Lets Share pilot trialling shared accommodation for under 35's.
- We collaborated with Wakefield District Homes to implement changes to make our rent collection systems and processes more efficient in time for when Rochdale moves to full service Universal Credit in February 2018. Our rent collection performance overall in 2016-17 has continued to be strong at 102.3%.
- Work continued on the delivery of the Affordable Housing programme 2015-2018 with 37 homes completed of our commitment of 78 homes. RBH was also successful in its bid for the Shared Ownership Affordable Housing programme 2017-2021, securing £3.4m grant from the HCA to help build 99 new homes.

### **Future developments as at 31<sup>st</sup> March 2017**

- Our new Corporate Strategy will be developed during 2017-18 and this in particular will consider how best to develop our role as a local anchor and build on our mutual approach, and what this means in terms of our future organisational form (including potential acquisitions and mergers), operating model and relationships to other local partners.
- We are leading a multi-agency partnership with Rochdale Council, the Greater Manchester Combined Authority, Communities and Local Government Department, Homes and Communities Agency and a range of local partners to develop proposals for the regeneration of a large residential area in Rochdale Town Centre in our Lower Falinge and College bank neighbourhoods. We have been successful in securing £518k in enabling grant from the Estate Regeneration Fund (ERF) to support this work.
- We will continue to develop and implement a Customer Relationship Management system to ensure that we can develop a single view of all our customers, enabling us to track contacts and resolve service requests more efficiently and effectively leading to fewer call backs from customers.

## STRATEGIC REPORT continued

### Operating Performance in the period

Performance is reported to the Board throughout the year.

### Financial Review of the year

*Financial Results for the year ended 31<sup>st</sup> March 2017*

The RBH financial result for the year ended 31<sup>st</sup> March 2017 was an operating surplus of £15.8M. This figure reflects the impact of accounting for retirement benefits in accordance with Financial Reporting Standard (FRS) 102.

The operating surplus would be £17.3M were these items not applied.

	Group		RBH Limited	
	2017	2016	2017	2016
	£000	£000	£000	£000
<b>Operating Surplus pre FRS 102 pensions adjustment</b>	17,278	18,467	17,349	18,556
Less:				
FRS 102 pension charges	(1,447)	(1,999)	(1,447)	(1,999)
<b>Adjusted Operating Surplus</b>	<b>15,831</b>	<b>16,468</b>	<b>15,902</b>	<b>16,557</b>

This RBH only surplus of £17.3M (before FRS 102 pension adjustments) is an improvement of £3.8M against the original budget and £4.8M against the Quarter 3 Forecast (Q3F). The most significant reasons for the favourable variance against Q3F is a £2M improvement in bad debt performance, £1.6M under spend within the Improvement Programme. This was due to a number of factors the main ones being repairs on lifts being significantly below budget but this is a demand led cost; a decrease in sheltered and communal area works as this has been incorporated into planned maintenance schemes; vacancies in the asset management team and slippage on a number of planned works such as bathrooms, mechanicals; and some access issues for electrical works. There was also a £1.2M favourable variance in depreciation charges due to the lower than forecast Improvement Programme spend and development spending.

The full statement of financial position is shown on page 41. The key highlight is the significant investment in our existing properties, together with new build development.

### Pension costs

RBH has Admitted Body status in the Local Government Pension Scheme (LGPS), a defined benefit final salary pension scheme. The LGPS is a multi-employer scheme with more than one participating employer. The scheme is administered by Greater Manchester Pension Fund (GMPF). RBH contributed to the scheme on behalf of its members. The Admission Agreement allows RBH to nominate new employees to join the GMPF. In order to cover the liability in relation to these new employees, a bond is in place funded through RBH's loan facility.

From the 1 January 2017 new employees were not admitted to the GMPF. New employees were admitted to the Royal London pension scheme.



## STRATEGIC REPORT continued

### Capital structure and treasury policy

The control of Treasury Management at RBH has three constituent parts: policy, strategy and procedures. These three strands are brought together to form a Treasury Management Manual, which details the controls employed and the procedures to be followed.

Responsibility for the implementation and monitoring of the Treasury Management Manual rests with the Director of Resources with overview by the Audit Committee.

The Treasury Strategy is reviewed annually in line with the Business Plan with an additional review halfway through the year.

RBH has renegotiated its loan facility during the year. The new loan facility is a 10 year £85m syndicated loan facility provided by RBS and Santander. At the year end £60M had been drawn down and is detailed in note 20. In addition to this, RBH has an extra £3.0M debt relating to former Brighter Horizons homes.

### Financial risk management objectives and policies

#### *Credit Risk*

Income generated through rent and other charges is vital to the ability to deliver the promises contained within the Offer Document. RBH is committed to arrears prevention by working with members to promote a rent payment culture. The Rent and Payments Team works closely with the RBH teams and other agencies to help customers to sustain their tenancies.

#### *Counterparty Risk*

Surpluses are invested in approved UK institutions which fall within the scope of the Treasury Policy. Cash Balances at the year end were invested with NatWest Bank.

#### *Interest Rate Risk*

The Treasury Policy permits the use of interest rate derivatives to manage interest exposures other than on a stand alone basis. There are currently no derivatives in place, however at the year end all of the £60M was at a fixed rate under the loan facility.

#### *Liquidity Risk*

RBH seek to keep cash balances to a minimum with a balance of £13,181k at the year end. Cash balances for the Group at year end are £13,402k.

The £85M facility is fully secured and provides sufficient funds for the next 12 months from the date of signing these financial statements. This provides an undrawn facility of £25M alongside an overdraft facility of £500k.

#### *Currency Risk*

RBH borrows only in sterling and so does not have any currency risk.

## STRATEGIC REPORT continued

### Business Plan

RBH produce an annual 30 year plan which requires the approval of the Board and our funders RBS and Santander. The 2017-18 Business Plan also forms our Financial Forecast Return to the HCA.

The main change to the 2017-18 Business Plan is the renegotiation of the loan facility.

### Going concern

After due consideration, the Board is confident that RBH has sufficient resources to continue to operate into the foreseeable future and it has therefore prepared these financial statements on a going concern basis.

### Donations

The RBH (D & B) Board have agreed to make a Gift Aid charitable donation to RBH, representing its surplus for the year in 2016-17 of £178k.

RBH's Charity of the Year for the period to 31<sup>st</sup> March 2017 is Springhill Hospice with RBH making a donation of £5k.

### Principal risks and uncertainties facing the society

RBH recognises that managing risk is a critical element in achieving its aims and objectives. The Risk Management Strategy and Policy is reviewed and approved on an annual basis by both the Audit Committee and the Board. This document sets out how RBH will identify, manage and monitor risks. The corporate risk register is reviewed on a quarterly basis by the Risk Group which is attended by the Deputy Chief Executive/Director of Resources and all Heads of Service. Risk management is now an established part of business planning process with risk identification and analysis sessions being carried out on an annual basis. In addition to helping embed risk management within the society and develop a culture of risk awareness, these sessions also allow employees from all areas of the business to feed into the process.

Our Risk maturity is also assessed on an annual basis as part of our Internal Audit programme and this has shown year on year improvement.

The most significant corporate risks, those with a residual risk score of 10 or above on a 5 by 5 matrix, are set out in the risk register below.

<b>Risk Title and score</b>	<b>Possible Consequences/ Description</b>	<b>Current Controls</b>
Pensions liability and ongoing commitments exceed business plan (20)	Increased pressure on budgets and impact on delivery of services	<ul style="list-style-type: none"> <li>• Annual review of business plan. Impact of soft close and latest actuarial assumptions built into the plan.</li> <li>• Business Plan - stress testing.</li> <li>• Regular review of all pension arrangements to consider their long-term sustainability, risk exposure and mitigation options.</li> <li>• VAT shelter proceeds outside of business plan from year 5.</li> </ul>

**STRATEGIC REPORT continued**

<b>Risk Title and score</b>	<b>Possible Consequences/ Description</b>	<b>Current Controls</b>
Reduced rent collection (16)	Loss of rental income	<ul style="list-style-type: none"> <li>• Annual Discretionary Housing Payment (DHP) take up campaign completed in quarter 4 of each financial year.</li> <li>• Direct Debit established as preferred method of payment and implemented as business as usual.</li> <li>• system data cleansing activity completed and vulnerability indicators updated.</li> <li>• Income and Rent Collection Policy reviewed and approved by Executive Management Team (EMT) in November 2015. Annual desktop reviews completed.</li> <li>• Methods of payment reviewed annually to ensure continuous improvement. Any day Direct Debits introduced, cash kiosk at St Albans, bar coding on letters and online payments available. performance monitored monthly.</li> <li>• Monthly reports from Rochdale Council from July 14 detailing tenants in receipt of discretionary housing payments. Discretionary housing payment take up campaigns completed and good partnership working with Housing Benefit to monitor and review take up.</li> <li>• Monthly social landlord forum set up and lead by RBH including Department for Works and Pensions (DWP), Job Centre Plus and Housing Benefit.</li> <li>• Monthly under occupation reports received by RBH from Rochdale Council ensuring up to date information.</li> <li>• Peer Review completed by Wakefield District Housing in December 2015. Welfare Reform Steering group (people) agreed funding for system improvement work to be completed, specialising in universal credit collection.</li> <li>• Performance management framework in place monitored by Heads of Service, EMT (monthly) and Board (quarterly). Financial updates on current arrears collection, bad debt provision and rent loss provided to EMT monthly.</li> <li>• Phase one of Wakefield District Housing system review completed and phase 1 new ways of working implemented August 2016.</li> <li>• Specialist Income Team in place, including 2 Debt Advisors.</li> <li>• Tenancy Policy approved in November 2015. Action plan to embed drafted and managed through Facing the Future - Improving Core Services workstream.</li> <li>• Universal credit processes implemented from the trial of specialised Universal Credit Officer post. Lessons learnt and put into practice. Collection targets for universal credit and under occupiers established and rolled out.</li> </ul>

**STRATEGIC REPORT continued**

<b>Risk Title and score</b>	<b>Possible Consequences/ Description</b>	<b>Current Controls</b>
		<p>Performance indicators in place for EMT, Heads of Service and Welfare Reform dashboards.</p> <ul style="list-style-type: none"> <li>• Weekly arrears monitoring completed by specialised Rent and Payment Advisers.</li> <li>• Welfare Reform People and Place Steering Group meeting monthly reviewing impacts and delivering projects to mitigate the risk of changes where possible.</li> <li>• Welfare Reform People group meet monthly and action plan reviewed, cleansed and updated in line with Summer and Autumn Comprehensive Spending Review (CSR).</li> <li>• Welfare Reform Statement and approved by EMT in November 2016.</li> </ul>
<p>National rent policy leads to Business Plan not being delivered (15)</p>	<p>Government policy on rents leads to a reduction in rental income which means that the Business Plan is undeliverable</p>	<ul style="list-style-type: none"> <li>• Engagement in sector dialogue on future rent setting policy.</li> <li>• External Horizon scanning.</li> <li>• Financial management procedures.</li> <li>• Headroom in asset valuation.</li> <li>• Plan agreed with Board for continuing viability within existing funding arrangements following Summer budget.</li> <li>• Sensitivity analysis on business plan to identify the risk.</li> <li>• Stress testing.</li> <li>• VFM Strategy to deliver efficiency savings.</li> </ul>
<p>Management and maintenance cost saving targets not delivered (15)</p>	<p>Budgets are not met, expenditure exceeds Business Plan targets. Impact on the investment in the community and the delivery of services</p>	<ul style="list-style-type: none"> <li>• Facing the Future Programme has substantially delivered £6M savings target, via 6 delivery workstreams.</li> <li>• Financial management procedures in place, including the budget setting and quarterly forecasting processes via collaborative planning.</li> <li>• Savings delivery progress reported to EMT and Board.</li> <li>• VFM and reduction in cost savings target to maintain unit costs to be embedded in Corporate Strategy.</li> <li>• VFM Strategy to deliver efficiency savings.</li> </ul>

**STRATEGIC REPORT continued**

<b>Risk Title and score</b>	<b>Possible Consequences/ Description</b>	<b>Current Controls</b>
Viability of extra care and Independent Living Schemes adversely impacted by welfare benefit changes and grant withdrawal (12)	Schemes no longer viable	<ul style="list-style-type: none"> <li>• Service level agreement with Rochdale Borough Council. (RBH)</li> <li>• Strategic liaison between RBH and Rochdale Borough Council.</li> </ul>
Lack of demand for Shared Ownership and Rent to Buy (10)	Reduction in rental income which impacts on the delivery of the Business Plan	<ul style="list-style-type: none"> <li>• On going work with HCA to track progress on Shared Ownership schemes in wider market and consider impact of any emerging competition.</li> <li>• Prudent business plan assumptions in relation to purchase.</li> <li>• Schemes still viable under alternative tenure (affordable rent).</li> <li>• Reviewed at HCA quarterly review meetings so that if risk materialises RBH can provide evidence of need for HCA to agree swap to other affordable housing tenure.</li> </ul>

The Board confirms that the form and content of this strategic report has been prepared in accordance with the 2014 SORP For Registered Social Housing Providers.

Edward Carpenter  
**Secretary**  
12<sup>th</sup> September 2017

Noel Chambers  
**Chair of the Board**  
12<sup>th</sup> September 2017

Gareth Swarbrick  
**Chief Executive**  
12<sup>th</sup> September 2017

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCHDALE BOROUGHWIDE HOUSING LIMITED FOR THE YEAR ENDED 31 MARCH 2017**

We have audited the financial statements of Rochdale Boroughwide Housing Limited for the year ended 31 March 2017 which comprise the consolidated and association statement of comprehensive income, the consolidated and association statement of financial position, the consolidated and association statement of changes in equity, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the association's members, as a body, in accordance with the Housing and Regeneration Act 2008 and Section 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of the board and auditors***

As explained more fully in the statement of board member responsibilities, the board members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### ***Scope of the audit of the financial statements***

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

### ***Opinion on financial statements***

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent association's affairs as at 31 March 2017 and of the group's and parent association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCHDALE BOROUGHWIDE HOUSING LIMITED FOR THE YEAR ENDED 31 MARCH 2017 (continued)**

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

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

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

***BDO LLP, statutory auditor***  
*Manchester*  
*United Kingdom*

*Date*

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

**CONSOLIDATED AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2017**

	Note	RBH Group		RBH Limited	
		Year ended 31/3/2017	Year ended 31/3/2016	Year ended 31/3/2017	Year ended 31/3/2016
		£'000	£'000	£'000	£'000
Turnover	2, 3	57,702	58,315	57,755	58,426
Operating costs	2, 3	(41,871)	(41,847)	(41,853)	(41,869)
<b>Operating surplus</b>		<b>15,831</b>	<b>16,468</b>	<b>15,902</b>	<b>16,557</b>
Investment income		-	-	178	83
Share of operating surplus in Joint Venture	29	240	288	-	-
Surplus on sale of properties	6	3,347	2,062	3,347	2,062
<b>Surplus on ordinary activities before interest</b>		<b>19,418</b>	<b>18,818</b>	<b>19,427</b>	<b>18,702</b>
Interest receivable	7	31	17	31	16
Interest payable and similar charges	8	(4,559)	(4,614)	(4,559)	(4,700)
Dividend received from Joint Venture	29	-	-	-	200
Other finance income/ (costs)	9	(407)	(619)	(407)	(619)
<b>Surplus on ordinary activities before taxation</b>	5	<b>14,483</b>	<b>13,602</b>	<b>14,492</b>	<b>13,599</b>
Taxation on surplus on ordinary activities	13	(48)	(58)	-	-
<b>Surplus for the financial year</b>		<b>14,435</b>	<b>13,544</b>	<b>14,492</b>	<b>13,599</b>
Actuarial (loss)/ gain relating to pension scheme	12	(1,573)	10,061	(1,573)	10,061
<b>Total comprehensive income for the year</b>		<b>12,862</b>	<b>23,605</b>	<b>12,919</b>	<b>23,660</b>

All amounts relate to continuing activities

The notes on pages 46 to 76 form part of these financial statements. There is no difference between the surplus recorded on an historical cost basis and that recorded in the statement of comprehensive income.



**CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017**

	Note	RBH Group		RBH Limited	
		31/3/2017	31/3/2016	31/3/2017	31/3/2016
		£'000	£'000	£'000	£'000
<b>Tangible fixed assets</b>					
Housing properties – depreciated cost	14a,b	129,590	116,728	130,410	117,296
Other tangible fixed assets	14c	1,836	2,074	1,836	2,074
Investment in Joint Venture	29	306	114	-	-
Investment in subsidiary company	29	-	-	-	-
<b>Total tangible fixed assets</b>		<b>131,732</b>	<b>118,916</b>	<b>132,246</b>	<b>119,370</b>
<b>Debtors: due in more than one year</b>	18	466,554	471,829	466,554	471,829
<b>Current assets</b>					
Stock	17	355	380	355	380
Debtors	18	11,252	19,728	11,478	19,851
Cash at bank and in hand		13,402	8,544	13,181	8,475
<b>Total Current assets</b>		<b>25,009</b>	<b>28,652</b>	<b>25,014</b>	<b>28,706</b>
Creditors: amounts falling due within one year	19	(14,872)	(23,309)	(14,847)	(23,330)
Provisions for liabilities and charges	23	(195)	(740)	(195)	(740)
<b>Net current liabilities</b>		<b>9,942</b>	<b>4,603</b>	<b>9,972</b>	<b>4,636</b>
<b>Total assets less current liabilities</b>		<b>608,228</b>	<b>595,348</b>	<b>608,772</b>	<b>595,835</b>
<b>Creditors: amounts falling due after more than one year</b>	20	71,858	69,992	71,858	69,992
Refurbishment provision	22	466,554	471,829	466,554	471,829
Pension liability	12	14,343	10,916	14,343	10,916
<b>Capital and reserves</b>					
Pension reserve		(14,343)	(10,916)	(14,343)	(10,916)
Income and expenditure reserve		69,816	53,527	70,360	54,014
		<b>608,228</b>	<b>595,348</b>	<b>608,772</b>	<b>595,835</b>

**CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION AT 31 MARCH  
2017**

The notes on pages 46 to 76 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 12<sup>th</sup> September 2017 and signed on it's behalf by:

Edward Carpenter  
**Secretary**  
12<sup>th</sup> September 2017

Noel Chambers  
**Chair of the Board**  
12<sup>th</sup> September 2017

Gareth Swarbrick  
**Chief Executive**  
12<sup>th</sup> September 2017

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017**

Group	Income and Expenditure Reserve	Pension Reserve	Total
	£'000	£'000	£'000
<b>At 31st March 2016</b>	<b>53,527</b>	<b>(10,916)</b>	<b>42,611</b>
<b>Surplus for the year</b>	<b>14,435</b>	-	<b>14,435</b>
Actuarial loss relating to pension scheme (note 12)	-	(1,573)	(1,573)
<b>Other comprehensive income for the year</b>	-	<b>(1,573)</b>	<b>(1,573)</b>
Transfer from Pension Reserve	1,854	(1,854)	-
<b>At 31 March 2017</b>	<b>69,816</b>	<b>(14,343)</b>	<b>55,473</b>

Group	Income and Expenditure Reserve	Pension Reserve	Total
	£'000	£'000	£'000
<b>At 31st March 2015</b>	<b>37,365</b>	<b>(18,359)</b>	<b>19,006</b>
<b>Surplus for the year</b>	<b>13,544</b>	-	<b>13,544</b>
Actuarial loss relating to pension scheme (note 12)	-	10,061	10,061
<b>Other comprehensive income for the year</b>	-	<b>10,061</b>	<b>10,061</b>
Transfer from Pension Reserve	2,618	(2,618)	-
<b>At 31 March 2016</b>	<b>53,527</b>	<b>(10,916)</b>	<b>42,611</b>

**ASSOCIATION STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2017**

RBH Limited	Income and Expenditure Reserve	Pension Reserve	Total
	£'000	£'000	£'000
<b>At 31st March 2016</b>	<b>54,014</b>	<b>(10,916)</b>	<b>43,098</b>
<b>Surplus for the year</b>	<b>14,492</b>	-	<b>14,492</b>
Actuarial gain relating to pension scheme (note 12)	-	(1,573)	(1,573)
<b>Other comprehensive income for the year</b>	-	<b>(1,573)</b>	<b>(1,573)</b>
Transfer from Pension Reserve	1,854	(1,854)	-
<b>At 31 March 2017</b>	<b>70,360</b>	<b>(14,343)</b>	<b>56,017</b>

RBH Limited	Income and Expenditure Reserve	Pension Reserve	Total
	£'000	£'000	£'000
<b>At 31st March 2015</b>	<b>37,797</b>	<b>(18,359)</b>	<b>19,438</b>
<b>Surplus for the year</b>	<b>13,599</b>	-	<b>13,599</b>
Actuarial loss relating to pension scheme (note 12)	-	10,061	10,061
<b>Other comprehensive income for the year</b>	-	<b>10,061</b>	<b>10,061</b>
Transfer from Pension Reserve	2,618	(2,618)	-
<b>At 31 March 2016</b>	<b>54,014</b>	<b>(10,916)</b>	<b>43,098</b>

The notes on pages 46 to 76 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017**

	<b>RBH Group</b>	
<b>Note</b>	<b>Year ended 31/3/2017 £'000</b>	<b>Year ended 31/3/2016 £'000</b>
<b>Cash flows from operating activities</b>		
Profit before tax	14,483	13,602
Adjustments for non-cash items:		
Profit on disposal of fixed asset	(3,347)	(2,062)
Depreciation of housing properties	3,017	2,156
Depreciation of other fixed assets	490	428
Decrease in Stocks	25	21
Decrease in Debtors	13,998	19,349
Decrease in Creditors	(12,248)	(21,536)
Finance costs	407	619
Pension contributions	(3,011)	(2,790)
Pension current service cost	3,524	4,265
Pension settlements and curtailments	934	524
Interest received	(31)	(17)
Interest paid	4,559	4,614
Tax paid	(48)	(58)
<b>Net cash generated from operating activities</b>	<b>22,752</b>	<b>19,115</b>
<b>Cash flow from investing activities</b>		
Purchase of tangible fixed assets	(17,388)	(21,174)
Proceeds from sale of tangible fixed assets	4,409	2,894
Interest received	31	17
<b>Net cash from investing activities</b>	<b>(12,948)</b>	<b>(18,263)</b>
<b>Cash flow from financing activities</b>		
Interest paid	(4,491)	(4,614)
New secured loans	-	20,000
Repayment of borrowings	(455)	(10,778)
<b>Net cash used in financing activities</b>	<b>(4,946)</b>	<b>4,608</b>
<b>Net change in cash and cash equivalents</b>	<b>4,858</b>	<b>5,460</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>8,544</b>	<b>3,084</b>
<b>Cash and cash equivalents at end of the year</b>	<b>13,402</b>	<b>8,544</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 1 Principal Accounting policies

#### Basis of accounting

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Rochdale Boroughwide Housing (RBH) includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 “the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, “Accounting by registered social housing providers” 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts are prepared under the historic cost basis except for the modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below.

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

#### Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No statement of cashflows has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole;
- Reduced disclosures around related party transactions entered into between two or more members of the group.

The following principal accounting policies have been applied:

#### Basis of Consolidation

The financial statements are group statements and have been prepared by consolidating the results of the subsidiary undertakings within the RBH Group. Intercompany transactions and balances between group companies are therefore eliminated in full. All financial statements are made up to 31 March 2017.

#### Turnover

Turnover comprises rental income receivable in the year, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year; revenue grants receivable in the year including relating to a supporting people contract, and other income from operating activities.

Rental income is recognised from the point when properties under development reach practical and are formally let, income from the sales of properties is recognised at the point of legal completion of the sale.

## **1 Principal Accounting policies continued**

### **Value added tax**

The majority of group turnover relates to rental income which is exempt from VAT, however a small proportion of income is subject to VAT and this gives rise to small amount of VAT recovery.

The majority of RBH expenditure is subject to VAT, and will be shown gross where such VAT is not recoverable from HMRC.

In relation to the VAT Shelter, a provision is created which represents RBH's obligation to carry out refurbishment works which is set out in the Works Agreement with Rochdale Council. This will be written down as work to housing properties is actually undertaken. There is a corresponding long term debtor recognised on the statement of financial position which is written down in line with the provision.

### **Pensions**

RBH is an admitted body within the Greater Manchester Pension Fund (GMPF), a funded multi-employer defined benefit scheme. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates.

The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the company.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are recognised as the benefits accrue. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of comprehensive income.

From the 1 January 2017 RBH also has a defined contribution scheme which is administered by Royal London. All new RBH employees after this date are admitted to a Royal London scheme.

### **Fixed Assets and depreciation**

#### **Housing Properties**

RBH Group Housing properties are properties available for rent and are valued under the historical cost basis, plus the cost of additions of components and improvements less depreciation.

Work to existing properties which is capable of generating increased future income, extending the useful life or otherwise add to the value of the property will be capitalised. There is a de-minimis limit for capitalisation of £2,000 with the exception of monitored alarm systems.

#### Capitalised interest

Finance costs are not capitalised. This is in accordance with RBH's Capitalisation Policy.

#### Development Costs

Development costs are capitalised as a fee percentage on works costs.

#### Donated Land

Land donated by local authorities and others is added to cost at the market value of the land at the time of donation. Where the donation is from a public body the difference between the value and cost is added to other grants, otherwise it is treated as income.

## **1 Principal Accounting policies continued**

Assets under construction are stated at cost and transferred to completed properties when ready for letting.

### General repairs

All other expenditure incurred in respect of general repairs to the housing stock will be charged to the statement of comprehensive income in the year it is incurred.

### Depreciation

Major components of the housing properties are treated as separate assets and depreciated on a straight line basis over their expected useful economic lives at the following annual rates. Freehold land is not depreciated. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

### Depreciation Rates

<b>Component</b>	<b>Depreciation Period</b>
Buildings (General)	100 years
Cladding	60 years
Roofs	50 years
Windows	40 years
Doors	40 years
Bathrooms	30 years
Lifts	30 years
Central heating distribution systems	30 years
Other heating systems	30 years
Rewires	30 years
Renewable energy	25 years
Kitchens	20 years
Boiler	15 years
Alarm systems	15 years

Depreciation begins from the month following installation, and a full months' depreciation will be charged in the month of disposal.

### **Other tangible fixed assets**

Depreciation is calculated on a straight line basis on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives.

<b>Asset</b>	<b>Depreciation period</b>
Plant & Machinery	Various
Office furniture and equipment	3-5 years
IT systems	3-5 years
Vehicles	3-5 years
Leasehold Offices	7.25 years
Fixtures and fittings	3-5 years



## **1 Principal Accounting policies continued**

### **Impairment**

Housing properties (because some components within this class of fixed asset having a UEL of over 50 years) will be reviewed for impairment on a yearly basis. A detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. RBH deem that neighbourhoods are cash generating units. Impairment is assessed primarily to the reports produced by RBH's independent valuation consultants, to determine possible impairment. There is also an assessment carried out by calculating the present value of future cash flows over a 30 year period. Other fixed assets are reviewed for impairment if there is an indication that impairment may have occurred. Where there is evidence of impairment, fixed assets are written down to their recoverable amount. Any such write down will be charged to the operating surplus.

### **Social Housing Grant and other government grants**

Grants received in relation to assets are accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. The grant is carried as deferred income in the statement of financial position and released to turnover on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected.

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as turnover in the statement of comprehensive income.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

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

### **Shared Ownership Properties**

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to first tranche sales. The first tranche proportion is classed as a current asset and the remaining element is classed as a fixed asset and included in housing properties at cost less any provisions needed for depreciation or impairment and are valued at lower of cost and net realisable value.

### **Leased Assets**

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

### **Stocks**

Stocks are stated at the lower of cost and net realisable value and are issued on a First in first out (FIFO) basis.

## **1 Principal Accounting policies continued**

### **Taxation**

No corporation tax is payable on the surpluses of charitable activities of RBH since transfer, as it has charitable status.

### **Joint ventures**

An entity is treated as a joint venture where the group holds a long-term interest and shares control under a contractual arrangement. In the group accounts, interests in joint ventures are accounted for using the net equity method of accounting. The consolidated statement of comprehensive income indicates the group's share of the joint venture's pre-tax surplus or deficit plus the attributable tax payable of such undertakings based on audited financial statements. In the consolidated statement of financial position, the group's share of the identifiable gross assets (including any unamortised premium paid on acquisition) and its share of the gross liabilities attributable to the joint ventures are shown separately.

### **Definition of liquid resources**

For the purposes of the statement of cashflows, liquid resources are defined as current asset investments and short term deposits.

### **Management charges**

RBH Group subsidiary companies do not have any employees and therefore management charges are made on an arms length basis to them for services provided by RBH, in accordance with an Intra Group Agreement. Management charges consist mainly of Finance, IT, Legal and Company Secretarial services.

### **Sale of housing properties**

The surplus or deficit arising from disposal of properties under the Preserved Right to Buy (PRTB) legislation and other property disposals are disclosed on the face of the statement of comprehensive income. The surplus or deficit is net of any sums payable to Rochdale Council under the terms of the Transfer Agreement.

### **Disposal Proceeds Fund**

Receipts from Right to Acquire (RTA) Sales are required to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses are credited to the Disposal Proceeds Fund. Any sales receipts less eligible expenses held within disposal proceeds fund, which it is anticipated will not be used within one year is disclosed in the balance sheet under "creditors due after more than one year". The remainder is disclosed under "creditors due within one year".

### **Refurbishment Provision**

Properties are acquired from local authorities for a consideration equivalent to their current market value plus the cost of bringing them into a good state of repair. Immediately prior to the transfer, the local authority contracts with the association to carry out these refurbishment works for a fixed sum, equal to the expected cost of the required work. The terms of the local authorities' undertaking

## **1 Principal Accounting policies continued**

to refurbish/repair the properties and the terms of the contract with the association are essentially similar; in particular, the price is fixed and no time limit imposed.

Subcontractors are subsequently employed to carry out the work over a number of years.

The underlying substance of the transactions is reflected on a gross basis; recognising the contractual position of the association which has both an asset for which it has paid (the local authorities' obligation to perform the refurbishment) and a legal obligation to complete the works under the refurbishment contract. These assets and liabilities are recognised in the statement of financial position within debtors and provisions respectively.

### **Bad debts and write offs**

RBH make a prudent provision for bad debts on the basis of the age of the debt in accordance with the following tables as recommended by the Chartered Institute of Public Finance and Accountancy.

Current Tenants	Age of Debt	% Provision
	0-4 Weeks	0%
	4-13 Weeks	10%
	13-26 Weeks	25%
	26-39 Weeks	50%
	39-52 Weeks	75%
	52 > Weeks	95%
Former Tenants		
	All	99%

In addition, outstanding debts are reviewed on an individual basis and additional provisions to those shown in the above table are applied where appropriate. Any write offs, deemed to be uncollectable by the Income Recovery Team are approved by the Board.

### **Service charges**

Our services are defined as variable service charges. This means that charges raised reflect the cost of service delivery. RBH complies fully with the legislative regime controlling the imposition of service charges. RBH will limit the amount of any charge raised to costs which have been reasonably incurred as contained within the Landlord & Tenant Act 1985 Section 19.

RBH have an obligation for extensive consultation with tenants before major works or long term contracts are entered into. The regime is contained in the Landlord and Tenant Act 1985 Sections 18 to 30 (as amended) and Service Charges (Consultation Requirements) Regulations 2003.

Variable service charges are calculated annually on the basis of the previous years cost of service (April to March) plus estimates for some of the costs that RBH will not know. Once the financial year has ended, RBH will check the amount that was spent on delivering the service and adjust the following years charge with the surplus or deficit between the actual and estimated costs. The service charge calculation will be applied to rent accounts and charged over a 48-week period.

## **1 Principal Accounting policies continued**

### **Loan finance issue costs**

These are written off over 10 years, charged at a constant rate on the carrying amount. The life of the loan is 10 years.

### **Holiday pay accrual**

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

### **Judgements in applying accounting policies and key sources of estimation uncertainty**

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- whether leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- the treatment of the loan agreement as basic with regard to FRS 102.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 14)  
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

## **1 Principal Accounting policies continued**

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

- Rental and other trade receivables (debtors) (see note 18)  
The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

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

### Continuing activities

RBH Group (2017)	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
<b>Social housing lettings (Note 3)</b>	<b>53,991</b>	<b>(39,481)</b>	<b>14,510</b>
<b>Other social housing activities</b>			
Support services	521	(1,092)	(571)
Garages	440	(2)	438
Shops	196	(9)	187
Homeless	1,307	(1,074)	233
United Utilities commission	879	-	879
<b>Non-social housing activities</b>			
Leaseholders	330	(210)	120
Other	38	(3)	35
	<u>57,702</u>	<u>(41,871)</u>	<u>15,831</u>

RBH Group (2016)	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
<b>Social housing lettings (Note 3)</b>	<b>54,919</b>	<b>(39,809)</b>	<b>15,110</b>
<b>Other social housing activities</b>			
Support services	404	(1,107)	(703)
Garages	456	(1)	455
Shops	208	-	208
Homeless	1,294	(834)	460
United Utilities commission	895	-	895
Other	83	-	83
<b>Non-social housing activities</b>			
Leaseholders	23	(92)	(69)
Other	33	(4)	29
	<u>58,315</u>	<u>(41,847)</u>	<u>16,468</u>

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

### Continuing activities

RBH Limited (2017)	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
<b>Social housing lettings (Note 3)</b>	<b>54,044</b>	<b>(39,463)</b>	<b>14,581</b>
<b>Other social housing activities</b>			
Support services	521	(1,092)	(571)
Garages	440	(2)	438
Shops	196	(9)	187
Homeless	1,307	(1,074)	233
United Utilities commission	879	-	879
<b>Non-social housing activities</b>			
Leaseholders	330	(210)	120
Other	38	(3)	35
	<b>57,755</b>	<b>(41,853)</b>	<b>15,902</b>

RBH Limited (2016)	Turnover	Operating costs	Operating surplus
	£'000	£'000	£'000
<b>Social housing lettings (Note 3)</b>	<b>55,113</b>	<b>(39,831)</b>	<b>15,282</b>
<b>Other social housing activities</b>			
Support services	404	(1,107)	(703)
Garages	456	(1)	455
Shops	208	-	208
Homeless	1,294	(834)	460
United Utilities commission	895	-	895
<b>Non-social housing activities</b>			
Leaseholders	23	(92)	(69)
Other	33	(4)	29
	<b>58,426</b>	<b>(41,869)</b>	<b>16,557</b>

### 3 Particulars of income and expenditure from social housing lettings

RBH Group (2017)	General needs	Supported housing	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
<b>INCOME</b>				
Rent receivable net of identifiable service charges	46,103	3,218	49,321	50,170
Service income	2,982	1,056	4,038	4,108
Amortised government grants	59	9	68	66
Other revenue grants	100	-	100	61
Other	390	74	464	514
<b>Turnover from social housing lettings</b>	<b>49,634</b>	<b>4,357</b>	<b>53,991</b>	<b>54,919</b>
<b>EXPENDITURE</b>				
Management	(13,737)	(2,168)	(15,905)	(16,598)
Service charge costs	(3,212)	(1,244)	(4,456)	(4,335)
Routine maintenance	(7,851)	(592)	(8,443)	(9,069)
Planned maintenance	(1,433)	(116)	(1,549)	(2,324)
Major repairs expenditure	(5,064)	(347)	(5,411)	(4,103)
Bad debts	(210)	-	(210)	(796)
Depreciation of housing properties	(3,024)	(483)	(3,507)	(2,584)
<b>Operating costs on social housing lettings</b>	<b>(34,531)</b>	<b>(4,950)</b>	<b>(39,481)</b>	<b>(39,809)</b>
<b>Operating surplus on social housing lettings</b>	<b>15,103</b>	<b>(593)</b>	<b>14,510</b>	<b>15,110</b>
Empty Homes losses	948	101	1,049	1,317
<b>RBH Limited (2017)</b>				
	General needs	Supported housing	2017 Total	2016 Total
	£'000	£'000	£'000	£'000
<b>INCOME</b>				
Rent receivable net of identifiable service charges	46,103	3,218	49,321	50,170
Service charge income	2,982	1,056	4,038	4,108
Amortised government grants	59	9	68	66
Other revenue grants	100	-	100	61
Other	443	74	517	708
<b>Turnover from social housing lettings</b>	<b>49,687</b>	<b>4,357</b>	<b>54,044</b>	<b>55,113</b>
<b>EXPENDITURE</b>				
Management	(13,719)	(2,168)	(15,887)	(16,620)
Service charge costs	(3,212)	(1,244)	(4,456)	(4,335)
Routine maintenance	(7,851)	(592)	(8,443)	(9,069)
Planned maintenance	(1,433)	(116)	(1,549)	(2,324)
Major repairs expenditure	(5,064)	(347)	(5,411)	(4,103)
Bad debts	(210)	-	(210)	(796)
Depreciation of housing properties	(3,024)	(483)	(3,507)	(2,584)
<b>Operating costs on social housing lettings</b>	<b>(34,513)</b>	<b>(4,950)</b>	<b>(39,463)</b>	<b>(39,831)</b>
<b>Operating surplus on social housing lettings</b>	<b>15,174</b>	<b>(593)</b>	<b>14,581</b>	<b>15,282</b>
Empty Homes losses	948	101	1,049	1,317



#### 4 Accommodation in management and development

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

	31/3/2017	31/3/2016
<b>Social housing</b>		
Under development	46	48
General housing	12,107	12,501
Supported housing and housing for older people	967	954
Shared ownership	9	9
<b>Total owned (RBH Limited)</b>	<b>13,129</b>	<b>13,512</b>
Managed for others	13	13
<b>Total owned and managed</b>	<b>13,142</b>	<b>13,525</b>
<b>Non- social housing</b>		
Owned	1	1

#### 5 Surplus on ordinary activities before taxation

The operating surplus is arrived at after charging:

	RBH Group		RBH Limited	
	Year ended	Year ended	Year ended	Year ended
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	£000	£000	£000	£000
Depreciation of housing properties	3,017	2,156	3,017	2,156
Depreciation of other tangible fixed assets	490	428	490	428
Restructuring costs	595	312	595	312
<b>Operating lease rentals</b>				
- Plant and machinery	-	-	-	-
- Premises leases	516	550	516	550
- Vehicles	228	565	228	565
<b>Auditors' remuneration (including VAT)</b>				
- External auditors – in their capacity as auditors	23	27	20	23
- External auditors – for taxation services	5	5	5	5
- External auditors – for non audit services	7	2	7	2
- Internal auditors	55	72	55	72

## 6 Surplus on sale of fixed assets - housing properties

	RBH Group		RBH Limited	
	Year ended 31/3/2017	Year ended 31/3/2016	Year ended 31/3/2017	Year ended 31/3/2016
	£000	£000	£000	£000
Disposal proceeds	6,429	4,118	6,429	4,118
Cost of sales	(1,532)	(832)	(1,532)	(832)
Claw back costs to Rochdale Council	(1,550)	(1,224)	(1,550)	(1,224)
<b>Surplus</b>	<b>3,347</b>	<b>2,062</b>	<b>3,347</b>	<b>2,062</b>

## 7 Interest receivable and other income

	RBH Group		RBH Limited	
	Year ended 31/3/2017	Year ended 31/3/2016	Year ended 31/3/2017	Year ended 31/3/2016
	£000	£000	£000	£000
Interest receivable on short term deposits	31	17	31	16

## 8 Interest payable and similar charges

	RBH Group		RBH Limited	
	Year ended 31/3/2017	Year ended 31/3/2016	Year ended 31/3/2017	Year ended 31/3/2016
	£000	£000	£000	£000
Interest payable on long term loans	3,528	3,177	3,528	3,177
Loans and bank overdrafts	-	185	-	185
Loan Finance issue costs	343	314	343	314
Other finance costs	688	938	688	1,024
<b>Total</b>	<b>4,559</b>	<b>4,614</b>	<b>4,559</b>	<b>4,700</b>

## 9 Other Finance income/ (costs)

	RBH Group		RBH Limited	
	Year ended 31/3/2017	Year ended 31/3/2016	Year ended 31/3/2017	Year ended 31/3/2016
	£000	£000	£000	£000
Interest income on plan assets	3,575	3,234	3,575	3,234
Interest cost on obligations	(3,982)	(3,853)	(3,982)	(3,853)
<b>Pension finance costs (Note 12)</b>	<b>(407)</b>	<b>(619)</b>	<b>(407)</b>	<b>(619)</b>

## 10 Employees

Average monthly number of employees expressed as full time equivalents:

Employee Numbers:	RBH Group		RBH Limited	
	Year ended 31/3/2017	Year ended 31/3/2016	Year ended 31/3/2017	Year ended 31/3/2016
	Housing management	236	229	236
Housing maintenance	248	257	248	257
Administrative and Clerical	104	124	104	124
<b>Total</b>	<b>588</b>	<b>610</b>	<b>588</b>	<b>610</b>

Full time equivalents are calculated based on a standard working week of 36.25 hours.

Employee costs:	RBH Group		RBH Limited	
	Year ended 31/3/2017	Year ended 31/3/2016	Year ended 31/3/2017	Year ended 31/3/2016
	£000	£000	£000	£000
Wages and salaries	14,869	15,389	14,869	15,389
Social security costs	1,367	1,057	1,367	1,057
Other pension costs	2,478	2,548	2,478	2,548
<b>Total</b>	<b>18,714</b>	<b>18,994</b>	<b>18,714</b>	<b>18,994</b>

The society's employees are members of the Greater Manchester Pension Fund. Further information on the scheme is in note 12.

## **11 Board members and executive directors**

The remuneration paid to the Board members and executive directors of RBH (including the Executive Management Team) was

	<b>Year ended 31/3/2017</b>	<b>Period ended 31/3/2016</b>
	<b>£000</b>	<b>£000</b>
Aggregate emoluments payable to Executive Management Team (including pension contributions)	422	422
Pension contributions in the year amounted to:	64	64

None of the board members received emoluments. Expenses paid to board members in total were £3k (2016:£4k). For 2017-18 the Representative Body agreed that the Chair of the Board should be remunerated.

The emoluments of the directors include £121k (Chief Executive – the highest paid director) and £86k (Deputy Chief Executive and Director of Resources), excluding pension contributions (2016: £121k and £86k respectively). The pension contributions for the Chief Executive as the highest paid director are £22k (2016: £22k).

The Chief Executive is a normal member of the Greater Manchester Pension Fund. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The society does not make any further contribution to an individual pension arrangement for the Chief Executive.

The remuneration paid to employees (including executive management) earning over £60,000 upwards:

	<b>Year ended 31/3/2017</b>	<b>Year ended 31/3/2016</b>
Including pension contributions	<b>No.</b>	<b>No.</b>
£60k - £70k	1	2
£70k - £80k	1	-
£80k - £90k	1	1
£90k - £100k	1	1
£100k - £110k	1	1
£110k - £120k	-	-
£120k - £130k	-	-
£130k - £140k	-	-
£140k - £150k	1	1

## **12 Greater Manchester Pension Fund (Group and RBH Limited)**

RBH participates in the Greater Manchester Local Government Pension Scheme (LGPS), a multi-employer funded defined benefit scheme where contributions payable are held in a trust separately for RBH.

Valuations are performed by a qualified actuary, using the projected unit credit method as required by Accounting Standards. The results of the last formal actuarial valuation have been projected forward from this point using approximate methods.

RBH is an Admitted Body and has an Admission Agreement with Greater Manchester Pension Fund in its own right. The employers' contributions to Pension Fund for the period ended 31st March 2017 were £3.011M (period to 31<sup>st</sup> March 2016: £2.790M).

### **Financial assumptions**

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>%per annum</b>	<b>%per annum</b>
Discount rate	2.6	3.5
Future salary increases	3.2	3.5
Future pension increases	2.4	2.2

### **Mortality assumptions**

Life expectancy is based on the funds VitaCurves with future improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%.

Under the mortality assumptions used, the future life expectancy at the age of 65 is as follows:

	<b>2017</b>	<b>2016</b>
<b>Current Pensioners</b>	<b>No. of years</b>	<b>No. of years</b>
Males	21.5	21.4
Females	24.1	24.0
<b>Future Pensioners</b>		
Males	23.7	24.0
Females	26.2	26.6

### **Commutation**

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 80% of the maximum tax-free cash for post-April 2008 service.

## 12 Greater Manchester Pension Fund continued

Analysis of the amount charged/(credited) to the statement of comprehensive income:

Year ended 31 March	2017	2016
	£000	£000
Expected return on employer assets	(3,575)	(3,234)
Interest cost	3,982	3,853
<b>Total charged to other finance (income)/costs</b>	<b>407</b>	<b>619</b>
Current service cost	3,524	4,265
Losses on Curtailments and Settlements	934	524
<b>Total charged to administrative expenses</b>	<b>4,458</b>	<b>4,789</b>
<b>Total charge recorded in the statement of comprehensive income</b>	<b>4,865</b>	<b>5,408</b>

Analysis of remeasurements recognised in other comprehensive income

Year ended 31 March	2017	2016
	£000	£000
Actual return less expected return on pension scheme assets	19,837	(3,825)
Experience gains and losses arising on the scheme liabilities	5,213	961
Changes in assumptions underlying the present value of the schemes liabilities	(26,623)	12,925
Actuarial (loss)/gain recognised in other comprehensive income	<b>(1,573)</b>	<b>10,061</b>
<b>Cumulative Actuarial Losses</b>	<b>(4,707)</b>	<b>(3,134)</b>

Amounts recognised in the statement of financial position

Net pension liability at 31 March	2017	2016
	£000	£000
Present value of funded liabilities	126,531	101,351
Fair value of employer assets (bid value)	(140,874)	(112,267)
<b>Net liability recognised in the statement of financial position</b>	<b>(14,343)</b>	<b>(10,916)</b>

Reconciliation of defined benefit obligation

	2017	2016
	£000	£000
Opening defined benefit obligation	112,267	118,559
Current service cost	3,524	4,265
Interest cost	3,982	3,853
Contributions by members	917	934
Actuarial loss/ (gains)	21,410	(13,886)
Past service cost	-	-
Losses on Curtailments	934	524
Liabilities assumed in a business combination	-	-
Estimated Benefits paid	(2,160)	(1,982)
<b>Closing defined benefit obligation</b>	<b>140,874</b>	<b>112,267</b>

The service cost figures includes an allowance for administration expenses of 0.2% of payroll.

**12 Greater Manchester Pension Fund continued**  
**Reconciliation of fair value of employer assets**

	<b>2017</b>	<b>2016</b>
	<b>£000</b>	<b>£000</b>
Opening fair value of employer assets	101,351	100,200
Expected return on assets	3,575	3,234
Contribution by members	917	934
Contribution by employer	3,011	2,790
Actuarial gains/(losses)	19,837	(3,825)
Benefits paid	(2,160)	(1,982)
<b>Closing fair value of employer assets</b>	<b>126,531</b>	<b>101,351</b>

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

	<b>2017</b>	<b>2016</b>
Equities	75%	73%
Bonds	16%	17%
Properties	5%	6%
Cash	4%	4%

**Amounts for the current and previous four accounting periods**

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Fair value of employer assets	126,531	101,351	100,200	86,453	81,431
Present value of defined benefit obligation	(140,874)	(112,267)	(118,559)	(92,312)	(85,014)
Deficit on scheme	(14,343)	(10,916)	(18,359)	(5,859)	(3,583)
Experience (losses)/Gains on assets	19,837	(3,825)	6,481	(530)	5,870
Experience (losses)/Gains on liabilities	5,213	961	572	(1,575)	65

**Sensitivity analysis**

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

<b>Change in assumptions at year ended 31 March 2017</b>	<b>Approximate % Increase to employer liability</b>	<b>Approximate monetary amount £000</b>
0.5% decrease in real discount rate	11%	15,736
0.5% increase in salary increase rate	2%	3,380
0.5% increase in pension increase rate	9%	12,042

## 12 Greater Manchester Pension Fund continued

### Projected pension expense for the year ended 31 March 2018

	Year ended 31/03/2018 £000	Year ended 31/03/2018 % of pay
Projected current service cost	(5,630)	(39.6%)
Expected return on employer assets	3,317	23.3%
Interest on obligation	(3,719)	(26.2%)
<b>Total</b>	<b>(6,032)</b>	<b>(42.5%)</b>

Employer's contributions for the year ended 31 March 2018 are estimated to be approximately £3,406,000.

## 13 Taxation (Group)

	Year ended 31/03/2017 £000	Year ended 31/03/2016 £000
<b>Current tax</b>	<b>£000</b>	<b>£000</b>
UK corporation tax on surplus for the year	-	-
Share of JV taxation charge	48	58
<b>Total tax charge</b>	<b>48</b>	<b>58</b>

The group did not incur a tax charge in the year as RBH Limited has been granted exemption from taxation under Section 505 of the Income and Corporation Taxes Act 1988 because of its charitable status. Trading subsidiary made qualifying charitable donation to RBH Limited in the current and prior year to eliminate any taxable profits.



**14a Tangible fixed assets - properties (RBH Group)**

	Held for Letting £'000			Shared Ownership £'000			Non-Social Properties	TOTAL
	Completed	Under Construction	Total	Completed	Under Construction	Total		
<b>COST</b>								
<b>At 1 April 2016</b>	<b>115,923</b>	<b>4,917</b>	<b>120,840</b>	<b>80</b>	-	<b>80</b>	<b>25</b>	<b>120,945</b>
Additions	-	3,793	3,793	-	-	-	-	3,793
Capitalisation of Components	-	13,180	13,180	-	-	-	2	13,182
Disposals	(1,131)	-	(1,131)	-	-	-	(3)	(1,134)
Transfers	16,093	(16,093)	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>130,885</b>	<b>5,797</b>	<b>136,682</b>	<b>80</b>	-	<b>80</b>	<b>24</b>	<b>136,786</b>
<b>DEPRECIATION</b>								
<b>At 1 April 2016</b>	<b>4,214</b>	-	<b>4,214</b>	<b>1</b>	-	<b>1</b>	<b>2</b>	<b>4,217</b>
Charge for the Year	3,016	-	3,016	-	-	-	1	3,017
Disposals	(38)	-	(38)	-	-	-	-	(38)
<b>31st March 2017</b>	<b>7,192</b>	-	<b>7,192</b>	<b>1</b>	-	<b>1</b>	<b>3</b>	<b>7,196</b>
<b>NET BOOK VALUE</b>								
<b>At 31/03/2017</b>	<b>123,693</b>	<b>5,797</b>	<b>129,490</b>	<b>79</b>	-	<b>79</b>	<b>21</b>	<b>129,590</b>
<b>At 31/03/2016</b>	<b>111,709</b>	<b>4,917</b>	<b>116,626</b>	<b>79</b>	-	<b>79</b>	<b>23</b>	<b>116,728</b>

The group considers each separate housing property scheme in its fixed asset register to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS 102 and SORP 2014.

During the current year, the group and association have recognised an impairment loss of £NIL (2016: £NIL) in respect of general needs housing stock.

## 14b Tangible fixed assets - properties (RBH)

	Held for Letting £'000			Shared Ownership £'000			Non-Social Properties	TOTAL
	Completed	Under Construction	Total	Completed	Under Construction	Total		
<b>COST</b>								
<b>At 1 April 2016</b>	<b>116,052</b>	<b>5,425</b>	<b>121,477</b>	<b>80</b>	<b>-</b>	<b>80</b>	<b>25</b>	<b>121,582</b>
Additions	-	4,045	4,045	-	-	-	-	4,045
Capitalisation of Components	-	13,180	13,180	-	-	-	2	13,182
Disposals	(1,131)	-	(1,131)	-	-	-	(3)	(1,134)
Transfers	16,093	(16,093)	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>131,014</b>	<b>6,557</b>	<b>137,571</b>	<b>80</b>	<b>-</b>	<b>80</b>	<b>24</b>	<b>137,675</b>
<b>DEPRECIATION</b>								
<b>At 1 April 2016</b>	<b>4,284</b>	<b>-</b>	<b>4,284</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>4,286</b>
Charge for the Year	3,016	-	3,016	-	-	-	1	3,017
Disposals	(38)	-	(38)	-	-	-	-	(38)
<b>31st March 2017</b>	<b>7,262</b>	<b>-</b>	<b>7,262</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>7,265</b>
<b>NET BOOK VALUE</b>								
<b>At 31/03/2017</b>	<b>123,752</b>	<b>6,557</b>	<b>130,309</b>	<b>80</b>	<b>-</b>	<b>80</b>	<b>21</b>	<b>130,410</b>
<b>At 31/03/2016</b>	<b>111,768</b>	<b>5,425</b>	<b>117,193</b>	<b>80</b>	<b>-</b>	<b>80</b>	<b>23</b>	<b>117,296</b>

14c Tangible fixed assets – other (RBH Group and RBH Limited)

	Offices £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	IT Systems £'000	F&F & IT Assets under Construction £'000	Land £'000	TOTAL £'000
<b>COST</b>							
At 1 April 2016	776	151	164	1,737	-	200	3,028
Additions	2	-	-	-	250	-	252
Disposals	-	-	-	-	-	-	-
<b>At 31 March 2017</b>	<b>778</b>	<b>151</b>	<b>164</b>	<b>1,737</b>	<b>250</b>	<b>200</b>	<b>3,280</b>
<b>DEPRECIATION</b>							
At 1 April 2016	89	33	88	744	-	-	954
Charge for the Year	107	36	29	318	-	-	490
<b>31st March 2017</b>	<b>196</b>	<b>69</b>	<b>117</b>	<b>1,062</b>	<b>-</b>	<b>-</b>	<b>1,444</b>
<b>NET BOOK VALUE</b>							
At 31/03/2017	582	82	47	675	250	200	1,836
At 31/03/2016	687	118	76	993	-	200	2,074

## 15 Improvements to Housing Properties

	RBH Group		RBH Limited	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	£000	£000	£000	£000
Improvements to existing properties capitalised	13,182	17,357	13,182	17,357
Major repairs expenditure to statement of comprehensive income	5,411	4,103	5,411	4,103
	<b>18,593</b>	<b>21,460</b>	<b>18,593</b>	<b>21,460</b>

## 16 Capital commitments

	at 31/3/2017	at 31/3/2016
Capital expenditure	£000	£000
Expenditure contracted for but not provided in the accounts	6,914	3,237
Expenditure authorised by the board, but not contracted	-	-
	<b>6,914</b>	<b>3,237</b>
<b>RBH expects these to be financed by:</b>		
SHG	-	-
Committed Loan Facilities	6,914	3,237
	<b>6,914</b>	<b>3,237</b>

## 17 Stock

	RBH Group		RBH Limited	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	£000	£000	£000	£000
Materials in stock	355	380	355	380

The replacement cost of stock is not materially different from the carrying value of stock in both the current and prior year.

## 18 Debtors

	RBH Group		RBH Limited	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	£000	£000	£000	£000
<b>Due within one year</b>				
Rent and service charges arrears	6,549	8,271	6,549	8,271
Less: provision for bad and doubtful debts	(5,670)	(6,528)	(5,670)	(6,528)
	879	1,743	879	1,743
Other debtors	323	353	549	476
Taxation - VAT	287	142	287	142
Short-term refurbishment obligation (Note 22)	8,962	16,869	8,962	16,869
Prepayments and accrued income	801	621	801	621
	<b>11,252</b>	<b>19,728</b>	<b>11,478</b>	<b>19,851</b>
<b>Due in more than one year</b>				
Refurbishment obligation (Note 22)	466,554	471,829	466,554	471,829
<b>Total debtors</b>	<b>477,806</b>	<b>491,557</b>	<b>478,032</b>	<b>491,680</b>

## 19 Creditors: Due within one year

	RBH Group		RBH Limited	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	£000	£000	£000	£000
Loans and overdrafts	104	97	104	97
Trade Creditors	1,931	2,819	1,942	2,483
Rent and service charges received in advance	4	4	4	4
Taxation and social security	421	702	388	717
Deferred capital grant (Note 21)	85	70	85	70
Accruals and deferred income	3,365	2,748	3,362	3,090
Short term refurbishment provision	8,962	16,869	8,962	16,869
<b>Total</b>	<b>14,872</b>	<b>23,309</b>	<b>14,847</b>	<b>23,330</b>

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

	RBH Group		RBH Limited	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	£000	£000	£000	£000
<b>Due after more than one year</b>				
<b>Loans repayable on maturity:</b>				
Due between two and five years	40,000	-	40,000	-
Due in five years or more	20,000	60,000	20,000	60,000
<b>Loans repayable by instalments:</b>				
Due between one and two years	109	104	109	104
Due between two and five years	358	342	358	342
Due in five years or more	2,395	2,520	2,395	2,520
	<b>2,862</b>	<b>2,966</b>	<b>2,862</b>	<b>2,966</b>
	<b>62,862</b>	<b>62,966</b>	<b>62,862</b>	<b>62,966</b>
Loan arrangement fees	(671)	(314)	(671)	(314)
<b>Total loans</b>	<b>62,191</b>	<b>62,652</b>	<b>62,191</b>	<b>62,652</b>
Deferred capital grant (Note 21)	9,667	7,340	9,667	7,340
<b>Total</b>	<b>71,858</b>	<b>69,992</b>	<b>71,858</b>	<b>69,992</b>

Loans are secured by specific charges on the housing properties of the group. The loans bear interest at fixed rates ranging from 4.7% to 5.9% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

## 21 Deferred Capital Grant

	RBH Group		RBH Limited	
	31/03/2017	31/03/2016	31/03/2017	31/03/2016
	£'000	£'000	£'000	£'000
<b>At 1 April</b>	<b>7,410</b>	<b>6,616</b>	<b>7,410</b>	<b>6,616</b>
Grants received during the year	2,409	860	2,409	860
Released to income during the year	(68)	(66)	(68)	(66)
<b>At 31 March</b>	<b>9,751</b>	<b>7,410</b>	<b>9,751</b>	<b>7,410</b>

## 22 Refurbishment Provision

	RBH Group		RBH Limited	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	£000	£000	£000	£000
<b>At 1 April</b>	<b>488,698</b>	<b>506,055</b>	<b>488,698</b>	<b>506,055</b>
Expended	(13,182)	(17,357)	(13,182)	(17,357)
<b>Balance at 31<sup>st</sup> March</b>	<b>475,516</b>	<b>488,698</b>	<b>475,516</b>	<b>488,698</b>
Short-term	8,962	16,869	8,962	16,869
Long-term	466,554	471,829	466,554	471,829
	<b>475,516</b>	<b>488,698</b>	<b>475,516</b>	<b>488,698</b>

This provision represents RBH's liability to carry out refurbishment works included in the Works Agreement with Rochdale Council. It will be written off when the work to housing properties is actually undertaken. This is also recognised as a debtor (see note 18).

## 23 Provision for liabilities

	RBH Group and RBH Limited	
	31/3/2017	31/3/2016
	£000	£000
<b>At beginning of the period</b>	<b>740</b>	<b>553</b>
Amounts provided during the year	195	449
Utilised during the year	(164)	(262)
Released in year	(576)	-
<b>Provisions at end of the period</b>	<b>195</b>	<b>740</b>

At 31<sup>st</sup> March 2017 the provision for re-structuring costs stood at £146k. The provision for liabilities against Annual Leave and Work Life Balance at £49k. It is expected that all costs will be paid out during 2017-18.

## 24 Financial instruments

The RBH Group and RBH Limited financial instruments may be analysed as follows:

	RBH Group		RBH Limited	
	31/3/2017	31/3/2016	31/3/2017	31/3/2016
	£'000	£'000	£'000	£'000
<b>Financial assets</b>				
Financial assets measured at historical cost				
Trade receivables	879	1,743	879	1,743
Other receivables	1,122	974	1,350	1,097
Cash and cash equivalents	13,402	8,544	13,181	8,475
<b>Total financial assets</b>	<b>15,403</b>	<b>11,261</b>	<b>15,410</b>	<b>11,315</b>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost				
Loans payable	62,191	62,652	62,191	62,652
Financial liabilities measured at historical cost				
Trade creditors	1,931	2,819	1,942	2,483
Other creditors	3,365	2,748	3,362	3,090
<b>Total financial liabilities at historical cost</b>	<b>5,296</b>	<b>5,567</b>	<b>5,304</b>	<b>5,573</b>

## 25 Leasing commitments

At the end of the year RBH (Group and Ltd) had minimum lease payments under non-cancellable operating leases as set out below:

	Year ended 31/3/2017	Period ended 31/3/2016
	£000	£000
<b>Land and buildings amounts payable:</b>		
Not later than 1 year	385	542
Later than 1 year and not later than 5 years	1,512	2,140
Later than 5 years	1,634	1,092
	<b>3,531</b>	<b>3,774</b>
<b>Other amounts payable:</b>		
Not later than 1 year	393	400
Later than 1 year and not later than 5 years	947	1,026
Later than 5 years	-	-
	<b>1,340</b>	<b>1,426</b>



## **26 Reserves**

### **Income and Expenditure Reserve**

The Income and Expenditure Reserve includes the accumulated profits and losses arising from the statement of comprehensive income and certain items from the Statement of Changes in Equity attributable to equity shareholders net of distributions.

### **Pension Reserve**

The Pension Reserve includes the accumulated actuarial gains and losses from the defined benefit scheme net of any amounts transferred to the income and expenditure reserve.

## **27 Contingent liabilities**

There are no contingent liabilities at 31 March 2017.

## **28 Related parties**

All transactions with group subsidiaries are calculated in line with the Group Transfer Pricing Policy and are therefore on an arms length basis.

Executive and Senior Management - Chief Executive, Gareth Swarbrick is a director of Rochdale Housing Initiative, a housing partnership company which brings together registered providers of social housing in the borough and RBH Professional Limited (for which he receives no remuneration). Cath Owston (Director of Customer Services) is a director of RBH Design and Build Limited (for which she receives no remuneration).

Non-executive Directors - Mark Thompson was a Director of RBH Professional Limited up to his retirement from the RBH Group Board in September 2016. Lee Sugden (a Non-executive Director) is a director of RBH Professional Limited. Lee Sugden is also a director of RBH Design and Build.

In 2016-17, RBH paid David Tolson Partnership (DTP) £21k for treasury management services. Board member Angela Lomax is an employee of DTP. Legal advice has been sought on two occasions to ensure that there is no conflict of interest on the Board's business. It was concluded that any conflicts should be dealt with on an item by item basis. If there is a specific Board item where DTP is being discussed then Angela Lomax declares an interest and is asked to leave the meeting in order to avoid any conflicts of interests.

Representative Body - As set out in the rules of RBH, being an employee or tenant of RBH does not represent an interest in itself for business of the Representative Body. This includes those nominated from the tenant management organisations.

## Related parties transactions

The following transactions took place between the group and its joint venture and associated companies during the year:

	Year ended 31/03/2017	Period ended 31/03/2016
	£000	£000
Net loan movements advances/(repayments)	-	-
Sales of goods and services	703	1,246
Purchases of goods and services	(2,118)	(3,003)
Management fees received	-	-
Dividends received	-	-
	<b>(1,415)</b>	<b>(1,557)</b>

The following receivable balances relating to joint ventures and associated undertakings were included in the consolidated statement of financial position:

	At 31/03/2017	At 31/03/2016
	£000	£000
Loans	-	-
Amounts owed to SSL	(175)	(247)
Amounts owed by SSL	56	116
Management fees	-	-
	<b>(119)</b>	<b>(131)</b>

## Transactions with non-regulated entities

The association provides management services, other services and loans to its subsidiaries. The association also receives charges from its subsidiaries. The quantum and basis of those charges is set out below.

	Management charges		Other charges	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
<b>Payable to association from subsidiaries:</b>				
RBH Professional	-	10	-	-
RBH (Design & Build)	52	97	4,148	2,566
	<u>52</u>	<u>107</u>	<u>4,148</u>	<u>2,566</u>

Payable by association to subsidiaries:	Management charges		Other charges	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
RBH Professional	-	-	-	-
RBH (Design & Build)	-	-	4,398	2,752
	-	-	4,398	2,752

RBH Professional Ltd Board ceased trading during the 2015-16 financial year and become dormant.

#### *Intra-group management fees*

Intra-group management fees are receivable by the association from subsidiaries to cover the running costs the association incurs on behalf of managing its subsidiaries. The management fee is calculated on a department basis, with varying methods of allocation. The costs are apportioned as follows:

Department	By Reference to
Finance	Employee Time
Human Resources	Employee Time
Information Technology	Employee Time
Governance	Fixed Sum
Legal	Fixed Sum

#### *Other Intra Group Charges*

Other intra-group charges which are payable to the association from subsidiaries relate to employee recharges and gift aid payments.

## 29 Fixed asset investments

### *Subsidiary undertakings, associated undertakings and other investments*

The principal undertakings in which RBH Limited's interest at the year end is 20% or more are as follows:

Name	Country of incorporation or registration	Proportion of voting rights and ordinary share capital held	Nature of business
RBH Professional	England	100%	Management Services
RBH (Design & Build)	England	100%	Construction
<i>Joint ventures</i>			
Safeguard Solutions Limited	England	50%	Security systems

At its Board meeting in September 2015 the RBH Professional Ltd Board agreed that the company would cease trading during the 2015-16 financial year and become dormant. A transfer of the cash reserves amounting to £423,335 was transferred to RBH on the 12th November 2015. The share capital within the company was subsequently reduced to £1 at the year end with the investment held in RBH Limited's financial statements similarly being reduced to £1. The company is now dormant and accounts will be filed in subsequent years to reflect its appropriate trading status.

#### Investment in RBH professional Limited

<b>RBH Limited</b>	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
Cost		
At 1 <sup>st</sup> April 2016 and 31 <sup>st</sup> March 2017	-	-

#### Investment in Joint Venture

The service agreement between RBH and Safegard Solutions Ltd (SSL) was terminated as at 31 March 2017. RBH purchased the 50% shareholding held by Securecom Ltd on the 3 April 2017 and as such SSL has become a 100% wholly owned subsidiary of RBH Ltd.

RBH Limited had the following aggregate interests in joint ventures:	Safegard Solutions Limited	
	<b>2017</b>	<b>2016</b>
	<b>£'000</b>	<b>£'000</b>
<i>Share of assets:</i>		
Share of fixed assets	15	23
Share of current assets	450	462
	<b>465</b>	<b>485</b>
<i>Share of liabilities:</i>		
Due within one year	159	371
<b>Share of net assets</b>	<b>306</b>	<b>114</b>

In the year to 31 March 2017 Safegard Solutions Limited recorded Turnover of £2.5m (RBH share £1.3m; 2016: £1.7m), made a profit before tax of £480k (RBH share £240k; 2016: £288k), £385k after tax (RBH share £192k; 2016: £230k), paid dividends of £0 (2016: £400k) and had reserves of £613k (2016: £227k) of which 50% is accounted for in the consolidated accounts representing the group's share of results and net assets.

### 30 Post Balance Sheet Event

On the 3 April 2017 RBH acquired the 50% shareholding of Securecom Ltd in Safegard Solutions Ltd (SSL). This made SSL a 100% wholly owned subsidiary of RBH.