

Arcon Housing Association Limited

Consolidated Financial Statements for the Year Ended 31 March 2015

Arcon Housing Association Limited

**Board Report
For the Year Ended 31 March 2015**

Chairman:	Ms D Blake
Secretary:	Mr P Schilizzi (resigned 20 th July 2015) Mrs A Southern (appointed Interim Company Secretary 21 st July 2015)
Board Members:	Mrs L Simmons Mr R Baker (resigned 23 rd June 2015) Mrs H Whittingham (resigned 11 th March 2015) Mr D Carmichael Ms J Wong Mr C Neill Mr P Parlby (resigned 25 th August 2015) Mr D Broadbent Ms A Crawley (appointed 24 th March 2015) Mrs E Stafford (appointed 28 th July 2015)
Officers	
Chief Executive:	Mr P Schilizzi (resigned 20 th July 2015) Mr D Lovelady (appointed Interim Chief Executive 21 st July 2015)
Finance Director:	Mrs A Southern
Property Director:	Mr J Bradley
Housing Director:	Mr D Lovelady
Auditors:	Beever and Struthers Chartered Accountants St Georges House 215/219 Chester Rd Manchester M15 4JE
Bankers:	Barclays Bank PLC 15 Colmore Row Birmingham B3 2BH Lloyds TSB England & Wales Plc Stockport and Oldham
Solicitors:	Brabners Chaffe Street LLP Solicitors 55 King Street Manchester M2 4LQ
Registered Office:	12 Lloyd Street Manchester M2 5ND

Financial Statements

The Board presents their report and the audited financial statements for the year ended 31 March 2015.

Activities

The principal activity of the Group continued to be the provision of social housing for rent.

The Association adopted the NHF Codes for members Excellence in Governance, Excellence in Service delivery and accountability and Excellence in Standards of conduct in 2011 and according to the Association's Rules, the maximum tenure for Board members already in post would be 9 years from that time. However, it is recognised that the Code of Governance recommends a maximum tenure of 9 years and that disclosure should be made if any member remains on the Board for longer than this when taking account of their initial appointment to the Board. The Association's Chair was appointed to the Board in 2006 and, due to the recent departure of the Chief Executive, the Board have agreed that the Chair will remain on the Board to provide stability and continuity to the Association whilst a new Chief Executive is recruited and that her ongoing membership of the Board will be reviewed in March 2016. The Association is fully compliant with all other aspects of the above Codes. This disclosure is made in accordance with advice received from the Social Housing Regulator.

Results

The results for the year are set out in the financial statements on pages 18 to 45.

One of Arcon's strategic values and objectives is to ensure that we improve and enhance the quality of our service delivery whilst maintaining a strong financial position and delivering Value for Money (VFM). To demonstrate how this is achieved the Board carries out an annual self assessment which is split into 4 sections:

- Section A – our approach to VFM including details of our stakeholders, use of benchmarks and analysis of cost and quality and an overview of funds generated and spent.
- Section B – our assets – stock condition and returns – including details of asset categories and returns, survey information and our asset management strategy.
- Section C – our past and future VFM gains in meeting our nine strategic values and objectives including performance information on cost and quality with peer comparatives.
- Section D – our overall opinion in respect of complying with the Homes and Communities Agency's VFM Standard and achieving our VFM objective.

We recognise that, especially in the light of the recent announcements in the July 2015 Budget with social housing rents to be reduced by 1% per annum for 4 years, we need to continue to achieve VFM improvements if we are to maximise the impact of all the resources available to us for the building of new homes, the improvement of existing ones and the provision of other services.

The Board is in the process of reviewing the business plan to determine the impact of the cut in rental income and how that affects our ability to develop new homes in the future. It is also recognised that we need to review the provision of services across the business. The Board started a strategic options review during 2014/2015 and this will continue as we explore new opportunities to ensure we maintain our position of strength.

Section A - Arcon's approach to Value for Money

The Board recognises that a VFM ethos and culture in the Association is essential for ensuring that our values and objectives are achieved to optimal effect and that economy, efficiency and effectiveness combine to provide the highest standard of quality and generate social value.

Each year the Board agrees a Business Plan which sets out, over a 5 year period, how we plan to meet our strategic objectives and each year the Board carries out a VFM assessment, in conjunction with our Tenant Scrutiny Committee, to monitor our success in achieving these objectives.

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Our VFM strategy has the key aims of ensuring that we are:

- Carrying out the right activities and using the right resources to deliver our values and objectives.
- Investing in the right housing and operational assets.
- Delivering the right outputs and effective business operations.
- Achieving the right outcomes and evaluating the effectiveness of achieving our values and objectives.

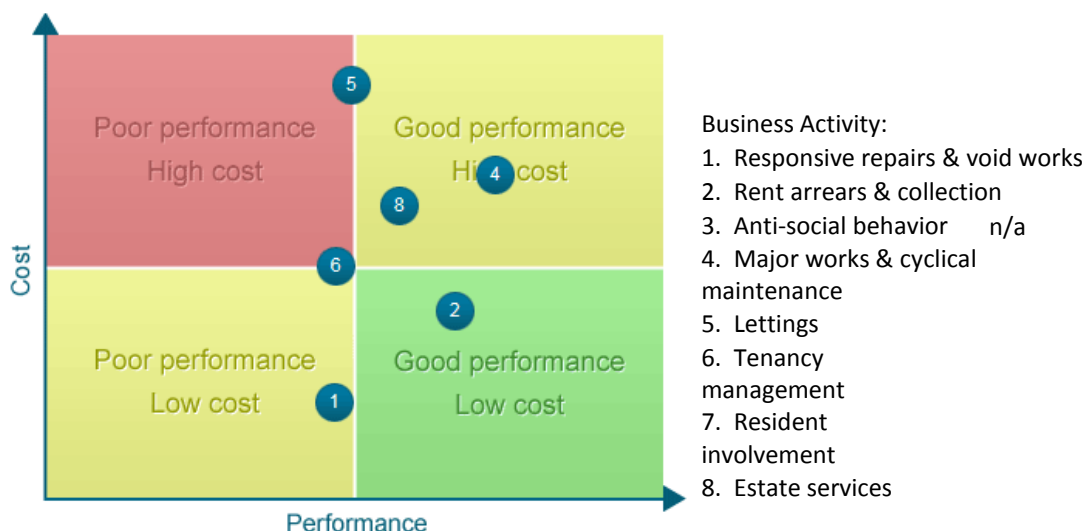
Through delivering VFM for Arcon, we also deliver VFM for our stakeholders, whether that be:

- Our tenants by providing quality homes at an affordable rent.
- The local authorities where we operate, by meeting the housing and other support needs of their residents.
- Our funders by maintaining a financially viable business that is able to service and repay loan funding.
- The Social Housing Regulator by meeting our commitments to build new homes under the Affordable Homes Programme and by utilising our surpluses to build extra development capacity.
- The taxpayer by providing housing at subsidised rent levels to reduce the cost of housing benefit.
- Our staff by being an employer that recognises and develops staff to provide the best service possible.

Arcon approaches VFM through its comprehensive performance monitoring framework. Our performance is assessed against key indicators, through HouseMark and other benchmarking exercises, and tenant involvement such as satisfaction surveys, scheme meetings and Tenant Scrutiny Committee reviews. Performance is regularly reported to key stakeholders including Board members and tenants via a range of methods including our annual report. The Board also receive assurance regarding the quality of the service provided by means of Arcon’s accreditation under the ISO 9001:2008 quality standard as well as from internal and financial audits.

Arcon remains committed to delivering Value for Money in the provision of services to tenants and continuously strives to improve performance in terms of both cost and quality. Our aim is to be in the top quartile when compared with other Housing Associations (i.e. we are in the top 25% for having low costs or good performance) and our use of the HouseMark benchmarking service is critical in this process. The comparator group of Housing Associations we use has been reviewed during the year, and a group containing 44 members has been chosen. Although the majority of the members of this group are larger organisations than Arcon, this benchmarking group affords us the most appropriate means of comparing the cost and quality of our service provision against organisations working in similar regions and from a similar operational background to ourselves. We have also benchmarked our costs using the HCA’s 2014 Global Accounts of Housing Providers, using the data from Associations with under 5,000 units as a peer group (provided by the HQN Global Accounts model).

The chart below has been provided by HouseMark and shows for 2014 how our costs compare to performance for key areas of activity when compared against other HouseMark members. The cost is based on the total costs per property of delivering the service (including overheads) and performance is based on an aggregate score of performance measures out of 100.



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In respect of this chart, Arcon aims to be in the “Good performance Low cost” quadrant for all activities whilst recognising that for the major works and cyclical maintenance indicator a position in the “Good performance High cost” quadrant is appropriate if it reflects a planned and efficient investment in improvements to our existing properties.

In addition to improving and enhancing our service delivery to tenants, the Board sees the other key outcome of an effective approach to VFM as being the maximisation of the amount of surplus we generate from our business so that this can be re-invested in to our existing properties as well as being used to invest in the building of new homes in conjunction with the proceeds from property sales, government grants and loan finance.

The table below summarises the surpluses/cash generated and spent on these activities during the last 4 years:

Generated/Spent	2015 £'000	2014 £'000	2013 £'000	2012 £'000
Operating activities	1,665	1,629	1,528	1,257
Property sales	170	447	490	587
Government Grant	624	395	808	3,889
Loan finance (net of repayments)	(414)	(374)	4,535	3,885
Total Generated	2,045	2,097	7,361	9,618
Reinvestment into existing properties	1,153	789	907	874
Investment into new homes	2,297	2,431	3,977	8,347
Total Spent	3,450	3,220	4,884	9,221
Current Return on Public Capital Invested (rolling 3 year average)	8.1%	9.9%	9.2%	5.1%
Historic Return on Public Capital Invested (rolling 3 year average)	52.6%	51.4%	54.8%	59.6%

The Return on Public Capital Invested (RPCI) can be used to demonstrate the return Arcon provides on the Social Housing Grant it receives. The Current RPCI effectively measures the level of self-financed additions in the year and the Historic RPCI provides an indicator of the total return on public investment in the organisation. Our Current RPCI of 8.1% compares favourably to the average 5.3% return found by Savills when they analysed the accounts of 88 housing associations.

Arcon adopts a variety of procurement methods to ensure that we achieve the right balance between cost and quality and employs companies and organisations that see the furtherance of Arcon’s values and objectives as an important part of their own business. The Board ensures, through our Treasury Management strategy, that we have a strong relationship with our bankers and funders and have the necessary facilities in place to achieve our development objectives.

Arcon has continued to explore opportunities for business expansion and efficiencies through partnering with other organisations but remains firmly committed to retaining corporate independence as the best way of fulfilling all of its strategic objectives. However, during 2014, the Board will conduct a strategic options appraisal to assess the costs and benefits of alternative structures.

Arcon, as a relatively small Housing Association operating in a city centre location with dispersed stock, has a relatively high overhead cost when compared to other larger or more localised Housing Associations. The Board has consequently agreed that one of our key VFM strategic aims is to reduce overhead costs as a percentage of turnover.

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Section B – Arcon’s assets – stock condition and returns

Arcon classifies its assets into 7 categories for reporting and performance management purposes:

1. Social Housing – housing built by us as new, or bought by us already built and then refurbished, for rent at social housing rents – mainly acquired in the 1970’s and 1980’s and refurbished in 1990’s and 2000’s.
2. Intermediate Rent – housing bought by us already built and then refurbished as part of the government’s mortgage rescue scheme for rent at 80% of market rents – acquired in 2011 to 2013.
3. Affordable Rent - housing built by us as new for rent at 80% of market rents – acquired from 2012 and onwards.
4. Shared Ownership - housing built by us as new for sale on a shared ownership basis and rented at 2.75% of unsold equity – acquired from 2006 and onwards.
5. Specialist Housing – housing built by us as new or acquired already built and refurbished, for let by lease or management agreement to a care provider – acquired from 1990 and onwards.
6. Market Rent – housing built by us as new or acquired already built and refurbished for let at a market rent – acquired from 1998 and onwards.
7. Managed Properties – housing built/acquired by other organisations and let at subsidised rents and managed by us for a management fee.

The table below shows for each class of asset (as at 31/03/15), the total number of properties, the total cost of investment, the total grant received, the net operating surplus generated (before interest and property sales) and the net operating surplus before interest as a percentage of relevant turnover. For managed properties the surplus figure represents the management fee receivable by Arcon.

	No.	Cost £’000	Grant £’000	Surplus £’000	Return 2015	Return 2014	Return 2013
Social Housing	946	41,637	20,982	1,261	31.03%	30.70%	22.50%
Intermediate Rent	72	9,489	5,377	169	41.02%	42.00%	66.80%
Affordable rent	53	6,803	1,658	121	47.27%	38.40%	72.00%
Shared Ownership	44	4,018	736	87	23.60%	24.90%	26.90%
Specialist Housing	48	3,132	177	(109)	-72.19%	-8.60%	0.80%
Market Rent	22	2,576	0	61	37.20%	36.00%	17.20%
Managed Properties	34	n/a	n/a	26	n/a	n/a	n/a
Total	1,219	67,655	28,930				

We have a comprehensive Asset Management Strategy which covers all categories of housing and which seeks to ensure that we are making the best use of our assets and whether there are alternative options that would generate better value for Arcon’s business operations.

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The basis of our Asset Management Strategy is the stock condition survey which currently holds data on 100% of the Association's properties. The stock condition surveys give details, amongst other things, of the property's original construction, condition and expected life of key building components, SAP & EPC ratings and environmental information, and whether it meets the Decent Homes standard. It forms the basis on which planned maintenance is programmed and allows the Association to forecast and manage its repairing liabilities, feeding this information through to the long-term business plan. The stock condition survey database is continuously updated with repairs and maintenance works carried out by the Association's appointed contractors as well as with surveys and other information by the Association's maintenance department.

In order to efficiently and actively manage its assets, the Association regularly carries out option appraisals in respect of individual properties and the different classes and types of property it owns. The options open to the Association in each case will normally consist of continuing to let the property with or without major repairs or refurbishment, selling it or transferring the property to another Housing Association. Option appraisals, whilst being undertaken in the overall context of the Association's long term viability, do not evaluate options purely from an economic standpoint but also take account of the need to fulfill social and community obligations. Option appraisals will consider the historic demand for the property involved and the sustainability of tenancies in the area as well as Local Authorities' and other Housing Associations' neighbourhood and stock rationalisation plans.

Social Housing properties make up 78% of our property portfolio and most of these were built by us and have been in our management now for over 25 years. The stock condition information on these properties is very detailed and comprehensive and a well established programme of major repairs is in place to ensure that repairing liabilities are identified and dealt with an efficient way. The intermediate rent properties are individual houses that were acquired piecemeal from 2011 to 2013. In respect of the affordable rent, shared ownership, specialist housing and market rent properties these have all been built or refurbished by us in the last 20 years and detailed stock condition information is held and is up to date.

Of the 946 social housing properties, 168 are terraced properties in Gorton and Levenshulme which are of a pre 1919 construction and were originally refurbished by ourselves in the 1970's and 1980's. For the last 10 years we have, in consultation with the Local Authority, been selling approximately 4 of these properties each year after carrying out option appraisals which showed higher than average repairing liabilities and low demand. We have identified a further 42 properties that fall into this category and plan to continue selling approximately 4 per year when they become void.

We sold 2 intermediate rent properties in 2013/14 because of poor condition and anticipate making further limited sales of these properties in the future, either because of poor condition, or to take advantage of market conditions to realise a surplus and reinvest in new development schemes.

We also look to sell on a shared ownership basis social housing for rent flats on developments where there are a significant number of leaseholders because of previous right to buy sales and where open market values are typically higher than average.

The return on our specialist housing activities has historically been at just under 10% but over the last 3 years has dropped to 0.8% and recorded a loss in 2014/15 of 72.2%. This was caused by a reduction in income from our mother and baby hostel at Marillac House where the Board agreed to lease the property to a provider but unfortunately the scheme was not viable and closed in April 2014. We have entered into a new lease agreement with Manchester City Council, and after refurbishing the property, this was let in February 2015, and will generate an income which will improve our return on Specialist Housing.

One of our values and objectives is to ensure that we keep the rents and other housing costs of our tenants at affordable levels and, as part of this, we are working on developing a strategic approach to reducing energy costs. We have to date mainly prioritised these works on houses that we own with lower than average SAP ratings after taking advantage of government funding initiatives. These included installing photo voltaics to 50 of our properties before Feed in Tariffs were reduced and carrying out solid wall insulation to 63 properties under Energy Company Obligation (ECO) and Green Deal funding before that was also substantially reduced. In 2014/15, as well as undertaking the external and internal enveloping of poorly insulated properties, we embarked on trialling energy efficient products to a number of homes to establish whether savings could be made on fuel consumption. These will be monitored over the next 12 months with a view to installing them as part of ongoing planned maintenance works, should they provide adequate savings. Additionally we completed our programme on communal areas by replacing the 2d lighting system with new LED lights. The savings of which, will be passed to our tenants by reduction of their service charge. In

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2015/2016 we will continue to gather information on our stock to gauge the efficiency of the buildings and will begin to inform our residents on how to improve the fuel usage and reduce their carbon footprint. We will continue trialling energy efficient products to determine possible alterations to our planned works specifications with a view to implementing successful products across all the properties we manage.

Whilst we hold both detailed stock condition survey and financial information on our properties, we decided in 2013/14 to invest in an asset modelling programme (PAVE) that will provide us with a Net Present Value for all our properties on an individual basis. We had planned to refine this database during 2014/15 to allow us to better understand the comparative returns made by all of our assets at a granular level and provide a better link between stock condition survey information and financial forecasts. However this work has been deferred to 2015/16 to allow for completion of the stock condition survey which was finalised in late 2014/15.

Section C - Past and future VFM gains in meeting Arcon's Values and Objectives

The information provided in the tables below is extracted from Arcon's data submitted to HouseMark for 2015, 2014, 2013 and 2012. The Benchmark figures in the tables represents the Quartile 1 figure that we aim to achieve to be in the top 25% of Housing Associations and the Quartile figure represents Arcon's position in 2014 (CPP = Cost Per Property). The STAR survey results refer to an independent survey of all our tenants undertaken by Kwest in April 2013 and which uses quartile positions from HouseMark's STAR benchmarking service report. Comparatives for 2012 relate to an independent STATUS survey carried out by Kwest in 2010.

1. Housing people in housing need in liaison with local authorities, care providers and other agencies.

The year under review:

Indicator	2015	2014	2013	2012	Benchmark	Quartile
Tenancy turnover	10.8%	11.2	8.8	9.6	7.2	3
Direct CPP of lettings	46.53	70.45	56.81	59.50	38.95	2

- We have assisted our tenants to move, in particular where they need to downsize due to changes implemented through welfare reform. We currently have 59 of our tenants registered with Homeswapper, the national mutual exchange register, and completed 3 mutual exchanges. This year we had 103 re-lets of which 16 were transfers, 13 lets were via the CBL scheme Pinpoint and 17 lets were via the Manchester Move CBL scheme. There have also been 30 new build properties let this year to nominations from various local authorities. A total of 54.7% of our lets have been made to local authorities' nominees across our stock.
- We have refurbished our supported housing scheme at Marillac house, and this was leased to Manchester City Council to provide supported accommodation for adults who have a physical and /or sensory dis-ability, acquired brain injury or learning disability. At the end of the financial year 5 of the 13 bed spaces had been let, and the remaining bed spaces should be occupied by the end of June 2015.
- Tenancy turnover has increased slightly from 11.2% up to 12.1%. There is no overall trend behind the increase, but more tenants are downsizing or moving out as a result of the impact of Welfare Reform changes.

The year ahead:

- We will let the remaining vacant bed spaces at Marillac House.
- We will continue to assist our tenants who need to move or downsize. We will promote Homeswapper for mutual exchanges and also moves via the various Choice Based letting schemes to provide access to our stock to people in housing need.

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2. Maintaining and investing in properties to achieve the highest standards

The year under review:

Indicator	2015	2014	2013	2012	Benchmark	Quartile
Total CPP of major works/cyclical maintenance	1,388	1,448	1,392	1,510	940	3
Total CPP of responsive repairs and void works	655	609	587	673	671	1
Percentage of repairs completed on time	99.8	98.9	99.6	98.8	N/A	N/A
Percentage satisfied with repairs and maintenance – STAR	87	87	87	89	87	1
Percentage satisfied with overall quality of home – STAR	89	89	89	91	86	1

- We invested £1.28m into improving our existing stock with £1.22m spent on planned works and £65k spent on cyclical improvements.
- Of the investment we replaced 58 kitchens, 20 bathrooms, 52 boilers, all communal lighting, refurbished 8 properties in Eccles in their entirety and overhauled a mother and baby unit to accommodate new residents.
- We completed the outstanding stock condition and now have all the data needed to form our asset management plan.
- We were unable to demonstrate social value on tendered works during the year however we continue to explore opportunities to involve and invest in our and surrounding communities.
- We employed a new local contractor to undertake repair and improvement works on our stock.

The year ahead:

- We will be reinvesting £1.17m into improvements to our existing properties and a further £100k on cyclical works. Of these 90% will be tendered and 10% negotiated.
- We will be working with other associations and maximising economies of scale by sharing and providing services by utilising stronger strategic alignment.
- We will continue to explore broader offers of replacement components to our customers to include kitchens, bathrooms, colour choices on cyclical works etc.
- We will carry out a full survey on properties who have more than 6 repairs in any 12 months to identify and remedy potential complaints whilst endeavouring to reduce the repairs liability on budget.

3. Keeping rents and other housing costs for those in housing need at affordable levels

The year under review:

Indicator	2015	2014	2013	2012	Benchmark	Quartile
Percentage satisfied with value for money of rent - STAR	89	89	89	90	88	1
Percentage satisfied with value for money of service charge - STAR	81	81	81	n/a	78	1
Average SAP rating	72.6	71.5	71.4	71.5	74	2

- We promised to improve 30 properties under the Green Deal Improvement fund but in fact completed 28 of our hard to treat properties with a spend of £145.5k and grant received to date of £79.5k. The shortfall of two properties being as a result of removal of funding and tenant refusal of work.
- Of the budgeted £60k we invested £30k into other energy efficiency products such as LED lighting, voltage optimisation units and oxypods which benefitted all schemes having a communal area and five homes who agreed to trial energy saving products.

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- We promised to carry out 50 energy audits and completed 29 enabling the association to obtain data to advise tenants on the thermal efficiency of their home. Despite numerous efforts many residents did not want the inconvenience of the survey.
- We have commenced with obtaining data on the energy efficiency of our homes and intend to provide this to inform tenants on products that could be used to improve their carbon footprint.
- We retendered our gardening contracts which resulted in an overall saving of £10k, which has helped to reduce the service charge costs for our tenants.

The year ahead:

- We will continue to explore methods of reducing energy consumption for our customers.
- We will have a staff member qualify to DEA so that advice can be given in each customer's home on how to address fuel usage.
- We will continue carrying out energy audits to obtain data on stock whilst revisiting tenants who have had measures installed to gauge savings and reductions in costs.

4. Maximising rent collection and minimising rent losses through properties being void

The year under review:

Indicator	2015	2014	2013	2012	Benchmark	Quartile
Direct CPP of rent arrears and collection	59.19	65.86	59.07	64.63	77.86	1
Current tenant arrears as percentage of rent due	2.78	3.06	2.88	2.84	2.71	2
Gross arrears written off as percentage of rent due	0.17	0.20	0.58	0.22	0.27	1
Average time in days to relet empty properties	17.4	20.0	19.7	17.6	17.85	1
Average cost of a void repair	1,314	1,329	1,667	1,594	1,547	1

- We kept void relet times, rent arrears and bad debt levels at upper quartile level without incurring additional resource costs.
- We have had 93 tenants affected by the reduction in housing benefit due to having a spare bedroom. The cash collection rate for these tenants has been 101.78%. The rent arrears have been 3.72% of the rent collectable, and the average arrears per tenant is £116 compared to £56 for tenants not affected by the reduction in housing benefit. The impact on the overall arrears position has been managed, reducing the impact on rental income to the association.
- We currently have 12 cases that we know of in receipt of universal credit, and have made 3 claims for Alternative Payment Arrangements. We are providing advice and support to our tenants as they move onto Universal Credit, and promoting the payment of rent by direct debit and the Allpay App which can be used 24 hours a day.
- We have signposted tenants to a wide variety of support agencies who have provided them with financial advice. We have helped 17 of our tenants to obtain a discretionary housing payment where their benefit has been reduced due to having a spare bedroom. On average this has saved each tenant £12 per week for 52 weeks, saving each tenant on average £624 per annum. This has brought in an extra £10,608 of rental income and helped 17 tenants maintain their tenancy, which has saved the costs of legal action at £250 per case, and void repair costs at an average of £1,314 per property.

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The year ahead:

- We will monitor the effect on our arrears of the roll out of Universal Credit, and assess its impact on our allocation of resources.
- We will work with a variety of external agencies and partners to provide support to our tenants to help them pay their rent and sustain their tenancies.
- We will seek to keep void relet times, rent arrears and bad debt levels at top quartile levels without incurring any extra additional costs.

5. Investing in new sustainable developments and business opportunities

The year under review:

- We completed our commitment under the Affordable Homes Programme 2011/15 and Affordable Guarantee Programme 2013/17 to complete the sites at St Georges Church, Lees Street and Boarshaw Hotel.
- We were successful in our bid as part of the Accent Development Consortium for grant from the Affordable Homes Programme 2015/18 to assist us in investing £7.5m in building 60 new homes.
- We were unable to build in social value to negotiated building contracts as all works were tendered. We do continue to explore the possibilities of utilising development as a means of addressing the skills shortage and to provide apprenticeship opportunities to the wider community.

Scheme	Contract sum	Actual £/m2	BCIS TPI data £/m2
Edge Lane – 6no 3 bed houses	556,309	1,070	1,151
Boarshaw Hotel – 10no 3 bed houses	927,311	1,091	1,105

The year ahead:

- We will complete the construction of 6 homes at the former St Andrews church in Droylsden as part of the AGHP 2013/2015 programme.
- We will complete the construction of 7 3-bedroom 5-person homes at Ravensfield, Dunkinfield.
- We will commence with the construction of 14 houses (11 no. 2 bed houses, 2 no. 3 bed houses and 1 no.4 bed house) with 12 houses for affordable rent and 2 for shared ownership at Bradburn Road, Irlam.
- We are utilising timber framed construction methods at both St Andrews and Bradburn Road and aim to reduce our carbon footprint for future developments by scrutinising the ways we build our homes.

6. Improving and enhancing the quality of service delivery whilst maintaining a strong financial position and delivering value for money

The year under review:

Indicator	2015	2014	2013	2012	Benchmark	Quartile
Overheads costs as percentage of adjusted turnover	17.82	17.45	17.55	18.25	11.98	4
Overall satisfaction with services provided – STAR	90	90	90	89	91	2
Management costs per social housing unit (HCA Global Accounts)	£818	£818	£846	£838	£1,070	2

- We have continued to promote the uptake of direct debits for rent payments in preparation for the introduction of Universal Credit with the number of tenants using this payment method increasing from 219 to 337, representing a 54% increase in the year.
- We have improved reporting systems to better monitor and control costs, focusing primarily on spending on development activities and improvements to existing properties, giving greater clarity on variances to budgets.

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- We started a strategic options appraisal to identify potential opportunities for improving and enhancing our service delivery to our tenants and growing the business. Following recent announcements by the Government in the July 2015 budget, this review will be extended.

The year ahead:

- We will continue promoting the uptake of direct debit payments, including contacting tenants who pay by standing order to advise them of the advantages of changing payment methods.
- We will continue to improve reporting systems to manage and control costs focusing on overhead costs in order to reduce overheads as a percentage of adjusted turnover.
- It is recognised that our overhead costs are high when compared to other associations and this is in part due to the rent paid on our city centre office. We have the option to end of office lease in late 2017, hence during the year we will establish whether to relocate to another existing building or build an office in a more affordable location and nearer our stock.
- We will review our vision, values and objectives to ensure that Arcon has clarity on what it wants to achieve in the future, especially when taking account of the impact of the cut to rental income as announced in the recent Budget.

7. Ensuring effective resident scrutiny and resident involvement in decisions that affect their homes

The year under review:

Indicator	2015	2014	2013	2012	Benchmark	Quartile
Direct CPP of resident involvement	48.42	53.75	53.68	54.67	46.33	2
Percentage satisfied that Arcon listens to tenants views and acts on them - STAR	75	75	75	80	76.28	M

- The Tenant Scrutiny Committee (TSC) has piloted a variety of energy efficiency saving measures and will be reporting back their findings at their meeting in August 2015.
- The TSC obtained a grant for £1k which they used to fund a training day and produced an information leaflet to promote tenant scrutiny. They have targeted recruiting 2 new members in the next twelve months, and have already recruited 1 new member.
- The TSC have completed a review of Arcon’s application process, which has resulted in a complete revision of the application form and supporting documentation. Applicants will be able to apply for housing via our website. The whole application process has been made easier to use and applications can be made on line.
- We surveyed all of our new tenants and had a 50% return rate with 100% saying they are satisfied with their new home and the application process.
- We completed 31 estate walkabouts during the year and produced action plans where any further work is required. We sent out satisfaction surveys on gardening, cleaning, caretaking services and the Estate Services Officer. The results show a 91% satisfaction with the gardening, 88% satisfaction with the cleaning service, 89% satisfaction with the caretaker service and 86% satisfaction with the Estate Services Officer.

The year ahead:

- The TSC will complete a review of how Arcon deal with complaints of Anti Social behaviour and also the Deeplake texting system used to communicate with tenants.
- We will continue to offer estate walkabouts and carry out satisfaction surveys, and our aim is to produce a year on year improvement in satisfaction with the service Arcon provides.
- We will survey our tenants for satisfaction with the condition of their property, and with services we provide such as gardening, cleaning, caretaker service and Estate Services Officer.
- We will recruit an apprentice for the Estate Services Officer, and develop a handy man service for some of our customers.

**Board Report
For the Year Ended 31 March 2015**

8. Investing in communities, neighbourhoods and people and promoting good relations with suppliers, contractors, agents, local authorities and other partners

The year under review:

Indicator	2015	2013	2012	2011	Benchmark	Quartile
Total CPP of estate service	229.79	218.72	226.00	253.72	114.07	3
Percentage satisfied with area as a place to live – STAR	89	89	89	87	90	2

- We spent £4k on a pilot scheme to provide computer training to 12 tenants across our stock to help improve computer literacy amongst out tenants. The training consisted of 3 lessons of approximately 2 hours delivered in the tenant’s home on laptops purchased by Arcon. This proved to be so popular that a further £2k was allocated to the project and resulted in a total of 38 tenants completing the training. The feedback has been very positive from everyone who received the training. A tenant from Thompson Court said “I got on really well with the trainer, I have learnt a lot and really enjoyed the lessons. They were really worthwhile and I would like to do some more in the future”.
- We spent £6K to support the East Manchester Warden scheme in Gorton, and provide a mobile warden scheme to 52 of our elderly tenants in Denton. The East Manchester Wardens have provided reassurance visits to 4 tenants following a burglary and visited all of our elderly tenants (52) in Denton to give advice on increasing security in their homes and are carrying out regular patrols on the estate. They have also completed checks on 2 long term empty properties in the Gorton area, and provided one tenant with security equipment following a theft from their car. The mobile warden service is provided in partnership with Johnnie Johnson HA. They offer a wide range of extra services to our tenants at Denton that has included the following; obtaining disabled facilities grants to provide 3 walk in showers for tenants who were unable to use their bath. They have also obtained similar funding to fit grab rails for 4 tenants who require assistance when bathing. Referrals have been made to social services to provide extra care and a pendant alarm systems to 2 tenants, with a further 2 tenants making successful claims for carer’s allowance. The warden also visits the schemes each week to offer any help and extra assistance that may be required to help our tenants live independently in the community.
- We worked with a group of tenants from our Blackley estate and a consultant, to make a bid for Big Lottery funding to undertake a feasibility study to provide a community building. The bid was successful and £10k was awarded to the project. Two tenants were trained to help carry out the feasibility study, which resulted in over 300 questionnaires being hand delivered across the estate. Unfortunately there was a disappointing return of only 30 questionnaires, with a third of these stating they did not want a community building. It became apparent that some of the services that could have been provided through the community building were already being provided locally. Also our tenants did not want to encourage people who do not live on the estate to access services that would have been provided in the community building. As there does not appear to be a need or tenant support for the provision of a community building, it has been decided not to pursue this any further. Any outstanding grant will be returned to the Big Lottery.
- We worked in partnership with the Children’s Safety Foundation to provide 55 Money Matters Booklets to year 6 pupils at the Bowker Vale primary school which is close to our largest estate in Blackley. The booklet helps pupils to learn about budgeting, bank accounts, credit unions and highlights the problems of getting into debt and loan sharks. The Deputy Head teacher said that “the pupils enjoyed using the programme to become more money wise”.
- As a result of our estate walkabouts our tenants have asked for improvements to their estates. Here is some of the work we have completed this year: built a secure bin store area for the paladin bins at Fir Court, provided an extra drying area and security fencing at Carrigart, provided extra grit bins to several schemes, donated B & Q vouchers to several schemes where the tenants wanted to create a flower garden.
- Our housing officer and several tenants from Chatsworth Street in Gorton worked with Manchester Council and the local community centre to clear their back alley which had been subject to fly tipping. This is now being used as a safe, clean and secure area for children to play.

**Board Report
For the Year Ended 31 March 2015**

The year ahead:

- We will launch the new Arcon Community fund which has a budget of £25K. This will allow staff, tenants and local community groups to bid for funding to help set up or maintain a local project that will benefit the wider community where Arcon have properties.
- We will offer free IT training to another 10 tenants across our stock to help improve computer literacy.
- Staff will be given the opportunity to volunteer for 2 days to help local organisations where Arcon have properties.
- We will continue to work with the East Manchester wardens and the mobile warden service to provide extra security and support to our tenants in Gorton and Denton.

9. Ensuring the continued committed involvement of well trained, skilled and experienced Board and Committee members and staff

The year under review:

- We completed a full remuneration review to ensure that the pay and other benefits for our employees reflect their roles and are competitive with the wider market.

The year ahead:

- We will carry out a survey of all our staff to establish levels of satisfaction with Arcon as an employer and identify any areas for improvement.
- We will offer opportunities for staff to be trained in Domestic Energy Assessment and Asbestos to provide a fuller service to both our residents and other organisations.
- All staff will receive safeguarding training to help them to identify any issues of concern with our tenants.

Section D – Overall opinion

The VFM Standard, as published by the Homes and Communities Agency, requires Arcon as a Registered Provider to:

- Have a robust approach to making decisions on the use of resources to deliver our objectives, including an understanding of the trade offs and opportunity costs of our decisions.
- Understand the return on our assets, and have a strategy for optimising the future return on assets – including rigorous appraisal of all potential options for improving VFM including the potential benefit in alternative delivery models – measured against the organisation's purpose and objectives.
- Have performance management and scrutiny functions which are effective at driving and delivering improved VFM performance.
- Understand the costs and outcomes of delivering specific services and which underlying factors influence these costs and how they do so.

To demonstrate how we are meeting this standard, this self assessment should:

- Enable stakeholders to understand the return on assets measured against our objectives.
- Set out the absolute and comparative costs of delivering specific services.
- Evidence the VFM gains that have been and will be made and how these have and will be realised over time.

The Board is of the opinion that Arcon has achieved the requirements of the VFM standard and has firmly established a true VFM ethos within the Association.

Arcon Housing Association Limited

Board Report For the Year Ended 31 March 2015

Financial risk management objectives and policies

The Group uses conventional forms of working capital to finance its day to day activities and as such the figures appearing in the accounts reflect the absolute value of amounts recoverable and payable. The Board of Management receive regular reports on these figures in order to manage the Group's requirements.

Fixed Assets

The movement in fixed assets is set out in Note 8 and 9 of the financial statements.

Payments to Creditors

The Association intends to pay all creditors for goods and services supplied within agreed terms and conditions between both parties.

Political and Charitable Donations

During the year the Group made no political contributions and any charitable contributions were made within the Group's normal activities.

Directors

The elected directors of the Group who served during the year are as stated on page 1. Each elected Board Member holds one fully paid share of £1.

The directors of the Group are defined as the Board of Management.

Auditors

In accordance with the Co-operative and Community Benefit Societies Act 2014 a resolution to re-appoint the Association's auditors Messrs. Beever and Struthers will be proposed at the Annual General Meeting.

Statement of the Board's Responsibilities in Respect of the Accounts

The Co-operative and Community Benefit Societies Act 2014 requires the Board to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Group and Association and of the surplus of the Group and Association for that period. In preparing these accounts the Board are required to:-

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. State whether applicable accounting standards have been followed.
4. Prepare the accounts on the going concern basis unless it is inappropriate.

The Board is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Group and Association and to enable it to ensure that the accounts comply with the Co-operative and Community Benefit Societies Act 2014 and Housing Acts. It is 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, by establishing and maintaining a satisfactory system of control over the Association's accounting records, cash holdings and all its receipts and remittances.

In so far as the Board is aware:-

1. There is no relevant audit information of which the company's auditor is unaware, and;
2. The Board has taken all steps that it ought to have taken to make itself aware of any relevant audit information and to establish that the auditor is aware of that information.

Statement on the Association's System of Internal Control

Full Compliance

The Board has overall responsibility for establishing and maintaining the whole system of internal control and for reviewing its effectiveness.

The Board recognises that no system of internal control can provide absolute assurance or eliminate all risk. The system of internal control is designed to manage risk and provide reasonable assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Group and Association's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls, which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the association is exposed and is consistent with the Turnbull principles.

The process adopted by the board in reviewing the effectiveness of the system of internal control, together with some of the key elements of the control framework includes:

- *Identification and evaluation of key risks*
Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and on-going process of management review in each area of the Group and Association's activities. This process is co-ordinated through a regular reporting framework by the Audit and Risk Management Committee. The senior management team regularly considers reports on significant risks facing the Association and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.
- *Monitoring and corrective action*
A process of control self-assessment and regular management reporting on control issues provides hierarchical assurance to successive levels of management and to the board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those with a material impact on the financial statements.
- *Control environment and control procedures*
The board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. The board has adopted the National Housing Federation's "Excellence in Governance - Code for members. This sets out the Group and Association's policies with regard to the quality, integrity and ethics of its employees. It is supported by a framework of policies and procedures with which employees must comply. These cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud detection and prevention.
- *Information and financial reporting systems*
Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. These are reviewed and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The internal control framework and the risk management process are subject to regular review by internal audit who are responsible for providing independent assurance to the board via its Audit and Risk Management Committee. The Audit and Risk Management Committee considers internal control and risks at each of its meetings during the year.

Statement on the Association's System of Internal Control (continued)

The Board has received the Chief Executive's annual report, has conducted its annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and the control process.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group and Association. This process has been in place throughout the year under review, up to the date of the annual report, and is regularly reviewed by the Board.

By order of the Board

Chairman: 

Date: 25th August 2015

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

ARCON HOUSING ASSOCIATION

We have audited the Group and Association's financial statements which comprise the income and expenditure account, the statement of recognised surpluses and deficits, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 group and Association's members, as a body, in accordance with 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 group and Association and the group and 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 the Auditor

As explained more fully in the Statement of Board's Responsibilities set out on page 14, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Association's affairs as at 31 March 2015 and of the Group and Association's income and expenditure for the year then ended;
- have been properly prepared in accordance with UK GAAP; and
- have been properly prepared in accordance 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 2012.

Matters on which we are required to report by exception

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

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

Beever and Struthers
Chartered Accountants and Statutory Auditors
St George's House
215 – 219 Chester Road
Manchester
M15 4JE

Date: 25.08.2015

Arcon Housing Association Limited

**Group Income and Expenditure Account
For the Year Ended 31 March 2015**

	Notes	2015 £'000	2014 £'000
Turnover	2	5,384	5,102
Operating costs	2	<u>(3,801)</u>	<u>(3,554)</u>
Operating surplus		1,583	1,548
Surplus on sale of housing properties	22	36	(52)
Interest receivable	4	10	28
Interest payable and similar charges	5	<u>(786)</u>	<u>(804)</u>
Surplus on ordinary activities for the year	6	843	720
Tax on surplus on ordinary activities	7	<u>-</u>	<u>-</u>
Surplus on ordinary activities after tax		843	720
Transfer to/(from) from revaluation reserves	16	<u>(6)</u>	<u>(6)</u>
Surplus for the year after transfers	16	837	714
Revenue reserves brought forward	16	<u>14,892</u>	<u>14,178</u>
Revenue reserves carried forward	16	<u>15,729</u>	<u>14,892</u>

All amounts relate to continuing activities. The above surplus is the historical cost surplus.

**Group Statement of Total Recognised Surpluses and Deficits
For the Year Ended 31 March 2015**

		2015 £	2014 £'000
Surplus for the year		843	720
Prior period adjustment	28	<u>-</u>	<u>(474)</u>
Total recognised surplus/(deficit) for the year		<u>843</u>	<u>246</u>

Arcon Housing Association Limited**Company Income and Expenditure Account
For the Year Ended 31 March 2015**

	Notes	2015 £'000	2014 £'000
Turnover	2	5,225	4,938
Operating costs	2	(3,731)	(3,465)
Operating surplus		1,494	1,473
Surplus (deficit) on sale of housing properties	22	36	(52)
Interest receivable	4	10	27
Interest payable and similar charges	5	(732)	(742)
Covenanted Income from Subsidiary		<u>56</u>	<u>45</u>
Surplus on ordinary activities for the year	6	864	751
Tax on surplus on ordinary activities	7	<u>-</u>	<u>-</u>
Surplus on ordinary activities after tax		864	751
Revenue reserves brought forward	16	<u>13,680</u>	<u>12,929</u>
Revenue reserves carried forward	16	<u>14,544</u>	<u>13,680</u>

All amounts relate to continuing activities. The above surplus is the historical cost surplus.

**Company Statement of Total Recognised Surpluses and Deficits
For the Year Ended 31 March 2015**

		2015 £	2014 £'000
Surplus for the year		864	751
Prior period adjustment	28	<u>-</u>	<u>(474)</u>
Total recognised surplus/(deficit) for the year		<u>864</u>	<u>277</u>

Arcon Housing Association Limited

Group Balance Sheet
As at 31 March 2015

	Notes	2015 £'000	2014 £'000
Fixed Assets			
Tangible assets	8	61,638	59,332
Less: Social Housing Grants		<u>(29,217)</u>	<u>(28,500)</u>
		32,421	30,832
Other Fixed Assets	9	<u>20</u>	<u>30</u>
		32,441	30,862
Current Assets			
Debtors	10	755	549
Housing Properties for Sale		-	19
Investments	11	164	1,493
Cash at bank and short term deposits	11	<u>787</u>	<u>1,226</u>
		1,706	3,287
Less: Creditors			
Amounts falling due within one year	12	<u>(1,073)</u>	<u>(1,444)</u>
Net Current Assets		<u>633</u>	<u>1,843</u>
Total Assets less Current Liabilities		<u>33,074</u>	<u>32,705</u>
Creditors			
Amounts falling due after more than one year	13	16,756	17,230
Capital and reserves			
Called-up share capital	15	-	-
Revaluation reserve	16	589	583
Revenue reserves	16	<u>15,729</u>	<u>14,892</u>
		33,074	32,705

The financial statements on pages 18 to 45 were approved by the Board on 25th August 2015 and were signed on its behalf by:

Board Member: 

Board Member: 

Secretary: 

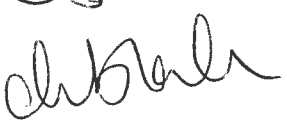
Arcon Housing Association Limited

Company Balance Sheet
As at 31 March 2015

	Notes	2015 £'000	2014 £'000
Fixed Assets			
Tangible assets	8	59,067	56,584
Less: Social Housing Grants		<u>(29,219)</u>	<u>(28,500)</u>
		29,848	28,084
Other Fixed Assets	9	<u>20</u>	<u>30</u>
		29,868	28,114
Current Assets			
Debtors	10	760	554
Housing Properties for Sale		-	19
Investments	11	2	1,331
Cash at bank and short term deposits	11	<u>565</u>	<u>1,008</u>
		1,327	2,912
Less: Creditors			
Amounts falling due within one year	12	<u>(894)</u>	<u>(1,271)</u>
Net Current Assets		433	1,641
		<hr/>	<hr/>
Total Assets less Current Liabilities		30,301	29,755
		<hr/> <hr/>	<hr/> <hr/>
Creditors			
Amounts falling due after more than one year	13	15,757	16,075
Capital and reserves			
Called-up share capital	15	-	-
Revenue reserves	16	<u>14,544</u>	<u>13,680</u>
		30,301	29,755
		<hr/> <hr/>	<hr/> <hr/>

The financial statements on pages 18 to 45 were approved by the Board on 25th August 2015 and were signed on its behalf by:

Board Member: 

Board Member: 

Secretary: 

Arcon Housing Association Limited

**Group Cash Flow Statement
For the Year Ended 31 March 2015**

	Notes	2015 £'000	2014 £'000
Net cash flow from operating activities		1,919	2,163
Returns on investments and servicing of finance	21	(568)	(561)
Capital Expenditure			
Acquisition and construction of housing properties		(3,527)	(3,220)
Social Housing Grant received		427	395
Purchase of other fixed assets		(3)	(17)
Sale of housing properties/other assets		<u>399</u>	<u>447</u>
Net cash outflow on capital expenditure		(2,704)	(2,395)
Net cash flow before management of liquid resources and financing		(1,353)	(795)
Management of liquid resources	21	1,329	612
Financing	21	<u>(415)</u>	<u>(375)</u>
Decrease in cash	21	<u>(439)</u>	<u>(558)</u>
Reconciliation of operating surpluses to net cash inflow from operating activities			
Operating surplus		1,583	1,548
Depreciation charges		884	857
Change in debtors		(208)	(155)
Change in creditors		<u>(340)</u>	<u>(87)</u>
Net cash flow from operating activities		<u>1,919</u>	<u>2,163</u>
Reconciliation of net cash flow to movement in net debt			
Increase/(Decrease) in the period		(439)	(558)
Cash used to increase liquid resources		(1,329)	(612)
Change in loans		<u>415</u>	<u>375</u>
Change in net debt		(1,353)	(795)
Net debt at 1 April 2014		<u>(14,806)</u>	<u>(14,011)</u>
Net debt at 31 March 2015		<u>(16,159)</u>	<u>(14,806)</u>

1. Principal Accounting Policies

The Association is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Registered Provider (RP) as defined by the Housing and Regeneration Act 2008.

Basis of Accounting

The financial statements have been prepared in accordance with applicable Accounting Standards and Statements of Recommended Practice. The accounts comply with the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012 and the Statement of Recommended Practice published by the National Housing Federation in 2010. The accounts are prepared on the historical cost basis of accounting.

Basis of Consolidation

Profits or losses on any intra-group transactions have been eliminated in full. Amounts in relation to debts and claims between undertakings included in the consolidation have been eliminated. The accounts of the following companies have been included within the consolidation:

Arcon Housing Association Limited
Arcon Developments Limited

Turnover

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency, Shared Ownership first tranche sales and other income.

Fixed Assets and Depreciation

Tangible fixed assets, except freehold land, are stated at cost, less accumulated depreciation which is charged at the following rates over the expected economic useful life of the asset:-

Office furniture and equipment	15% straight line
Motor vehicles	25% on written down value
Computer equipment	33 1/3% straight line
Leasehold improvements	10% straight line

Freehold land is not depreciated.

The useful economic lives of all tangible fixed assets are reviewed annually.

Housing Properties and Depreciation

Housing properties for rent are stated at cost less accumulated depreciation and related social housing grant. Houses are transferred to completed properties when they are ready for letting.

Freehold land is not depreciated.

Housing properties in the course of construction are stated at cost and are not depreciated. These are reclassified as housing properties on practical completion of construction.

All properties are reviewed for impairment annually.

When housing properties are to be transferred to another association, the net costs, after SHG, are dealt with in current assets.

Shared ownership properties are included in housing properties at cost, net of the first tranche sales proceeds and any provision needed for depreciation or impairment.

Properties let at full market rent and held for their investment value are included at open market valuation.

1. Principal Accounting Policies (Continued)

Where a housing property comprises two or more major components with substantially different Useful Economic Lives, each component is accounted for separately and depreciated over its individual Useful Economic Life. Expenditure relating to the subsequent replacement or renewal of components is capitalised as incurred.

Depreciation is charged on a straight-line basis after taking into account social housing grant over the assets expected Useful Economic Life as shown below:-

Component	UEL	
New build housing structure	125	Years
Rehabilitation social housing building structures	40-60	Years
External works	40	Years
Roofs	60	Years
Windows	40	Years
Electrical	30	Years
Bathrooms	30	Years
Boilers	10	Years
Heating systems (excluding boilers)	30	Years
Kitchens	20	Years
Lifts	30	Years

Social Housing and Other Grants

Where developments have been financed wholly or partly by social housing and other grants, the cost of those developments has been reduced by the amount of the grant received. Social housing grant received for items of cost written off in the Income and Expenditure Account are matched against those costs as part of turnover.

Social housing grant can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met.

The net social housing grant received and not spent is included in current liabilities, taking into account all properties under construction.

In certain circumstances, SHG may be repayable, and in that event, is a subordinated unsecured repayable debt.

Capitalisation of Interest and Administration Costs

Interest on loans financing development is capitalised up to the date of the completion of the scheme and only when development activity is in progress.

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the property into its intended use.

Pension Costs

The Association operates a defined contribution pension scheme for which costs are charged to the income and expenditure account on an accruals basis.

Provisions

The Association only provides for contractual liabilities.

Arcon Housing Association Limited

Notes to the Financial Statements For the Year Ended 31 March 2015

1. Principal Accounting Policies (Continued)

Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the Balance Sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the Balance Sheet date.

Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund, which appears as a creditor until spent.

Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet at the amount of the net proceeds after issue, plus increases to account for any subsequent amounts written off. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs, are recognised in the income and expenditure account in the year in which the redemption took place.

Financial Instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets on the company after deducting all of its liabilities.

Revaluation reserve

The revaluation reserve arising on consolidation of Arcon Developments Limited is due to the market rented properties being included at valuation. The reserve will be released as the properties are depreciated over their economic useful lives, based on 125 years from original completion date.

Value Added Tax

The Group charges VAT on some of its income and is able to recover part of the VAT it incurs on expenditure. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

Corporation Tax

The Association has exempt charitable status and is therefore not liable to pay Corporation Tax. The Association's subsidiary, Arcon Developments, is liable to pay Corporation Tax at the rate applicable at 31 March 2014.

Notes to the Financial Statements
For the Year Ended 31 March 2015

2. Turnover, Operating Costs and Operating Surplus

Group Business Activity

	Turnover	2015 Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Social Housing Lettings	4,062	2,801	1,261
Shared Ownership Activities	143	56	87
First tranche Shared Ownership sales	196	203	(7)
Intermediate Rent	412	243	169
Affordable Rent	256	135	121
Specialist Housing Activities	151	260	(109)
Market Rents	<u>164</u>	<u>103</u>	<u>61</u>
Total	5,384	3,801	1,583
		2014	
	Turnover	Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Social Housing Lettings	3,932	2,725	1,207
Shared Ownership Activities	127	59	68
First tranche Shared Ownership sales	102	113	(11)
Intermediate Rent	393	228	165
Affordable Rent	190	117	73
Specialist Housing Activities	186	202	(16)
Market Rents	<u>172</u>	<u>110</u>	<u>62</u>
Total	5,102	3,554	1,548

2. Turnover, Operating Costs and Operating Surplus (Continued)

Company Business Activity

	Turnover	2015 Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Social Housing Lettings	4,089	2,829	1,260
Shared Ownership Activities	121	48	73
Intermediate Rent	412	243	169
Affordable Rent	256	135	121
First tranche Shared Ownership sales	196	216	(20)
Specialist Housing Activities	<u>151</u>	<u>260</u>	<u>(109)</u>
Total	5,225	3,731	1,494

	Turnover	2014 Operating Costs	Operating Surplus/ (Deficit)
	£'000	£'000	£'000
Social Housing Lettings	3,961	2,756	1,205
Shared Ownership Activities	106	49	57
Intermediate Rent	393	228	165
Affordable Rent	190	117	73
First tranche Shared Ownership sales	102	113	(11)
Specialist Housing Activities	<u>186</u>	<u>202</u>	<u>(16)</u>
Total	4,938	3,465	1,473

3 Income and Expenditure from Business Activities

Group

	Social Housing £'000	Shared Ownership £'000	Specialist Housing £'000	Affordable Rent £'000	Inter- mediate Rent £'000	Market Rent £'000	Total 2015 £'000	Total 2014 £'000
Income								
Net Rent Receivable	3,721	137	151	256	412	163	4,840	4,606
Net Service Charge Receivable	218	6	-	-	-	1	225	212
Shared Ownership 1 st tranche Sales	-	196	-	-	-	-	196	102
Management Agent Income	26	-	-	-	-	-	26	23
Other Income	<u>97</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97</u>	<u>159</u>
Total Income	<u>4,062</u>	<u>339</u>	<u>151</u>	<u>256</u>	<u>412</u>	<u>164</u>	<u>5,384</u>	<u>5,102</u>
Expenditure								
Housing management	804	9	59	31	50	20	973	947
Routine maintenance	730	-	96	15	58	33	932	773
Planned maintenance	123	-	10	-	-	2	135	166
Major repairs expenditure	313	-	21	-	-	7	341	376
Services	191	1	21	-	-	1	214	198
Business development & admin	32	22	8	22	15	-	99	112
Rent losses from bad debts	23	-	-	2	4	2	31	59
Depreciation of housing properties	585	24	45	65	116	38	873	810
Shared Ownership 1 st tranche sales	<u>-</u>	<u>203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203</u>	<u>113</u>
Total Expenditure	<u>2,801</u>	<u>259</u>	<u>260</u>	<u>135</u>	<u>243</u>	<u>103</u>	<u>3,801</u>	<u>3,554</u>
Operating Surplus / (Deficit)	<u>1,261</u>	<u>80</u>	<u>(109)</u>	<u>121</u>	<u>169</u>	<u>61</u>	<u>1,583</u>	<u>1,548</u>
Rent losses from voids	<u>43</u>	<u>5</u>	<u>8</u>	<u>2</u>	<u>-</u>	<u>6</u>	<u>64</u>	<u>54</u>

3 Income and Expenditure from Business Activities (Continued)

Company

	Social Housing £'000	Shared Ownership £'000	Specialist Housing £'000	Affordable Rent £'000	Inter- mediate Rent £'000	Total 2015 £'000	Total 2014 £'000
Income							
Net Rent Receivable	3,720	115	151	256	412	4,654	4,413
Net Service Charge Receivable	218	6	-	-	-	224	212
Shared Ownership 1 st tranche Sales	-	196	-	-	-	196	102
Management Agent Income	54	-	-	-	-	54	52
Other Income	97	-	-	-	-	97	159
Total Income	4,089	317	151	256	412	5,225	4,938
Expenditure							
Housing management	832	7	59	31	50	979	952
Routine maintenance	730	-	96	15	58	899	740
Planned maintenance	123	-	10	-	-	133	164
Major repairs expenditure	313	-	21	-	-	334	369
Services	191	1	21	-	-	213	197
Business development & admin	32	19	8	22	15	96	108
Rent losses from bad debts	23	-	-	2	4	29	57
Depreciation of housing properties	585	21	45	65	116	832	765
Shared Ownership 1 st tranche sales	-	216	-	-	-	216	113
Total Expenditure	2,829	264	260	135	243	3,731	3,465
Operating Surplus / (Deficit)	1,260	53	(109)	121	169	1,494	1,473
Rent losses from voids	43	5	8	2	-	58	50

Notes to the Financial Statements
For the Year Ended 31 March 2015

4. Interest Receivable

	2015 £'000	2014 £'000
Group		
Gross interest receivable	11	29
Less: notional RCGF interest	<u>(1)</u>	<u>(1)</u>
	<u>10</u>	<u>28</u>
	2015 £'000	2014 £'000
Company		
Gross Interest Receivable	11	28
Less: notional RCGF Interest	<u>(1)</u>	<u>(1)</u>
	<u>10</u>	<u>27</u>

5. Interest Payable and Similar Charges

	2015 £'000	2014 £'000
Group		
On loans	786	804
Less: Interest returned	<u>-</u>	<u>-</u>
Total	<u>786</u>	<u>804</u>
	2015 £'000	2014 £'000
Company		
On loans	<u>732</u>	<u>742</u>
Total	<u>732</u>	<u>742</u>

6. Surplus for the year before taxation

	2015 £'000	2014 £'000
Group		
Is stated after charging/(crediting):		
Auditors remuneration (excluding VAT)		
In their capacity as auditors		
Parent	8	8
Subsidiaries	-	1
In their capacity as auditors	1	2
Tax advice	1	1
Depreciation		
Housing Stock	774	765
Other Assets	14	48
(Surplus)/Deficit on sale of housing properties	(36)	(5)
(Surplus)/Deficit on disposal of motor vehicles	<u>-</u>	<u>-</u>

Notes to the Financial Statements
For the Year Ended 31 March 2015

6. Surplus for the year before taxation (continued)

Company

	2015 £'000	2014 £'000
Is stated after charging/(crediting):		
Auditors remuneration (excluding VAT)		
In their capacity as auditors	8	7
Parent	-	-
In respect of other services	1	2
Tax advice	1	1
Depreciation		
Housing Stock	732	720
Other Assets	14	48
(Surplus)/Deficit on sale of housing properties	(36)	53
(Surplus)/Deficit on disposal of motor vehicles	-	-
	<u> </u>	<u> </u>

7. Taxation

Group

a. Analysis of charge in year	2015 £'000	2014 £'000
Current Tax		
UK corporation tax on profits of the year	-	-
Adjustment in respect of previous year	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>
b. Factors affecting the tax charge for the year	2015 £'000	2014 £'000
Surplus/(deficit) on ordinary activities in the year	843	720
Tax arising on profit on ordinary activities at the standard rate of corporation tax of 21% (2014: 23%)	177	165
Effects of:		
Income not taxable	(181)	(172)
Donation to parent		-
Expenses not deductible for tax purposes:		
Depreciation in excess of Capital allowances	8	8
Chargeable gains	(11)	(12)
Other short term timing differences	7	11
Utilisation of tax losses and other deductions		-
Adjustment in respect of previous year	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
	<u> </u>	<u> </u>

Company

The Association obtained exempt charitable status on 9 October 2006.

Notes to the Financial Statements
For the Year Ended 31 March 2015

8. Group Tangible Fixed Assets	Social Housing Properties £'000	Shared Ownership £'000	Market Rent Properties £'000	Intermediate Rent Properties £'000	Affordable Rent Properties £'000	Specialist Housing Properties £'000	Properties Under Construction £'000	Total £'000
Cost/Valuation								
At start of the year	40,805	3,544	2,678	9,559	3,034	3,046	2,914	65,580
Additions	1,084	-	2	(70)	-	143	2,297	3,456
Transferred on Completion	-	605	-	-	3,769	-	(4,374)	-
Transfer of use	75	46	(102)	-	-	-	-	19
Component disposal	(146)	-	-	-	-	(57)	-	(203)
Disposals	<u>(175)</u>	<u>(177)</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(354)</u>
At end of year	41,643	4,018	2,576	9,489	6,803	3,132	837	68,498
Depreciation and Impairment								
At start of the year	5,224	116	279	139	47	443	-	6,248
Charge for year	550	24	38	55	61	45	-	773
Transfer of use	-	(11)	11	-	-	-	-	-
Component disposal	(74)	-	-	-	-	(28)	-	(102)
Disposals	<u>(55)</u>	<u>(3)</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(59)</u>
At end of year	5,645	126	327	194	108	460	-	6,860
Cost/valuation less depreciation at end of the year	35,998	3,892	2,249	9,295	6,695	2,672	837	61,638
Social Housing Grant								
At start of the year	20,948	609	-	5,377	783	177	607	28,501
Transferred on Completion	-	133	-	-	560	-	(693)	-
Transfer of use	32	(32)	-	-	-	-	-	-
Received in year	81	-	-	-	-	-	543	624
Disposals during year	(79)	-	-	-	-	-	-	(79)
Use of RCGF	<u>-</u>	<u>26</u>	<u>-</u>	<u>-</u>	<u>315</u>	<u>-</u>	<u>(170)</u>	<u>171</u>
At end of year	20,982	736	-	5,377	1,658	177	287	29,217
Net Book Value at end of the Year	<u>15,016</u>	<u>3,156</u>	<u>2,249</u>	<u>3,918</u>	<u>5,037</u>	<u>2,495</u>	<u>550</u>	<u>32,421</u>
Net book value at start of the year	<u>14,602</u>	<u>2,851</u>	<u>2,399</u>	<u>4,043</u>	<u>2,204</u>	<u>2,426</u>	<u>2,307</u>	<u>30,832</u>

Notes to the Financial Statements
For the Year Ended 31 March 2015

8. Company Tangible Fixed Assets	Social Housing Properties £'000	Shared Ownership £'000	Intermediate Rent Properties £'000	Affordable Rent properties £'000	Specialist Housing Properties £'000	Properties under construction £'000	Total £'000
Cost							
At start of the year	40,805	3,172	9,559	3,034	3,046	2,914	62,530
Prior year adjustment	-	-	-	-	-	-	-
Additions	1,078	154	(70)	-	143	2,299	3,607
Transferred on completion	-	605	-	3,769	-	(4,374)	-
Transfer of use	75	(56)	-	-	-	-	19
Component Disposal	(146)	-	-	-	(57)	-	(203)
Disposals	(175)	(190)	-	-	-	-	(365)
At end of year	41,637	3,685	9,489	6,803	3,132	839	65,588
Depreciation and Impairment							
At start of the year	5,224	93	139	47	443	-	5,946
Prior year adjustment	-	-	-	-	-	-	-
Charge for year	550	21	55	61	45	-	732
Component disposal	(74)	-	-	-	(28)	-	(102)
Disposal	(55)	-	-	-	-	-	(55)
At end of year	5,645	114	194	108	460	-	6,521
Cost less depreciation at end of the year	35,992	3,571	9,295	6,695	2,672	839	59,067
Social Housing Grant							
At start of the year	20,947	609	5,377	783	177	607	28,500
Prior year adjustment	-	-	-	-	-	-	-
Transfer of use	32	(32)	-	-	-	-	-
Received in Year	81	-	-	-	-	543	624
Disposals during year	(76)	-	-	-	-	-	(76)
Use of RCGF	-	26	-	315	-	(170)	171
Transferred on completion	-	133	-	560	-	(693)	-
At end of year	20,984	736	5,377	1,658	177	287	29,219
Net Book Value at end of the Year	<u>15,008</u>	<u>2,835</u>	<u>3,918</u>	<u>5,037</u>	<u>2,495</u>	<u>552</u>	<u>29,848</u>
Net book value at start of the year	<u>14,634</u>	<u>2,470</u>	<u>4,043</u>	<u>2,204</u>	<u>2,426</u>	<u>2,307</u>	<u>28,084</u>

8. Tangible Fixed Assets (Continued)

Group	2015 £'000	2014 £'000
Housing Properties comprise:		
Freeholds	28,993	27,247
Long leaseholds	<u>3,428</u>	<u>3,585</u>
	<u>32,421</u>	<u>30,832</u>

	2015 £'000	2014 £'000
Works to existing properties comprise:		
Capital expenditure	1,223	789
Revenue expenditure	<u>341</u>	<u>376</u>
	<u>1,564</u>	<u>1,165</u>

Development administration costs capitalised in the year totalled £41,708 (2014: £49,424)

Company	2015 £'000	2014 £'000
Housing Properties comprise:		
Freeholds	24,341	24,843
Long leaseholds	<u>5,507</u>	<u>3,241</u>
	<u>29,848</u>	<u>28,084</u>

	2015 £'000	2014 £'000
Works to existing properties comprise:		
Capital expenditure	1,221	789
Revenue expenditure	<u>334</u>	<u>369</u>
	<u>1555</u>	<u>1,158</u>

Development administration costs capitalised in the year totalled £41,708 (2014: £49,424).

Notes to the Financial Statements
For the Year Ended 31 March 2015

9. Group & Company Tangible Fixed Assets - Other	Office Furniture & Equipment £'000	Motor Vehicles £'000	Computer Equipment £'000	Leasehold Improvements £'000	Total £'000
Cost					
At start of the year	102	20	110	291	523
Additions	-	-	3	-	3
Disposals	<u>-</u>	<u>-</u>	<u>(27)</u>	<u>-</u>	<u>(27)</u>
At end of the year	102	20	86	291	499
Depreciation					
At start of the year	101	10	92	290	493
Charge for year	1	1	11	-	13
Disposals	<u>-</u>	<u>-</u>	<u>(27)</u>	<u>-</u>	<u>(27)</u>
At end of the year	102	11	76	290	479
Net Book Value at end of the year	<u>-</u>	<u>9</u>	<u>10</u>	<u>1</u>	<u>20</u>
Net book value at start of the year	<u>1</u>	<u>10</u>	<u>18</u>	<u>1</u>	<u>30</u>

10. Debtors

Group	2015 £'000	2014 £'000
Amounts falling due within one year:		
Rent arrears	216	171
Less: provision for bad debts	<u>(71)</u>	<u>(58)</u>
	145	113
Other debtors	55	68
Social Housing Grant	196	-
Asset Management Sales	-	8
Mortgage Rescue Client Account	-	-
Prepayments and accrued income	145	148
THFC Interest Payable sinking Fund	<u>214</u>	<u>212</u>
	<u>755</u>	<u>549</u>

Notes to the Financial Statements
For the Year Ended 31 March 2015

10. Debtors (continued)

Company	2015	2014
	£'000	£'000
Amounts falling due within one year:		
Rent arrears	206	163
Less: provision for bad debts	<u>(63)</u>	<u>(52)</u>
	143	111
Other debtors	54	68
Social Housing Grant	196	-
Asset Management Sales	-	8
Prepayments and accrued income	144	147
Amounts owed by subsidiaries	9	8
THFC Interest Payable sinking funds	214	<u>212</u>
	760	<u>554</u>

11. Cash at Bank and Short Term Deposits

Group	2015	2014
	£'000	£'000
Money market investments	164	1,493
Cash at bank	787	<u>1,226</u>
	951	<u>2,719</u>
Company	2015	2014
	£'000	£'000
Money market investments	2	1,331
Cash at bank	565	<u>1,008</u>
	567	<u>2,339</u>

Notes to the Financial Statements
For the Year Ended 31 March 2015

12. Creditors

Group	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade creditors	82	31
Accruals and deferred income	516	956
Loan repayments in one year or less	409	412
Loan Issue Costs	(30)	(30)
Rents in advance	91	60
Deferred Income	5	5
Other creditors	-	10
	<u>1,073</u>	<u>1,444</u>

Company	2015 £'000	2014 £'000
Amounts falling due within one year:		
Trade creditors	82	31
Accruals and deferred income	495	933
Loan repayments in one year or less	252	262
Loan Issue Costs	(30)	(30)
Rents in advance	90	60
Deferred Income	5	5
Other creditors	-	10
	<u>894</u>	<u>1,271</u>

13. Creditors

Group	2015 £'000	2014 £'000
Amounts falling due after more than one year:		
Loans repayable by instalments:-		
In one year or more but less than two years	422	406
In two years or more and less than five years	1,359	1,304
In five years or more	<u>14,920</u>	<u>15,403</u>
	16,701	17,113
Less Loan Issue Costs	(181)	(210)
	16,520	16,903
Recycled capital grant fund	225	317
Deferred Income	<u>11</u>	<u>10</u>
	<u>16,756</u>	<u>17,230</u>

13. Creditors (continued)

Company

	2015 £'000	2014 £'000
Amounts falling due after more than one year:		
Loans repayable by instalments:		
In one year or more but less than two years	258	249
In two years or more and less than five years	821	790
In five years or more	<u>14,623</u>	<u>14,919</u>
	15,702	15,958
Less Loan Issue Costs	<u>(181)</u>	<u>(210)</u>
	15,521	15,748
Recycled capital grant fund	225	317
Deferred Income	<u>11</u>	<u>10</u>
	<u>15,757</u>	<u>16,075</u>

Housing loans are secured by specific charges on the Association's housing properties and are repayable at varying rates of interest.

The interest rate profile of the Group at 31 March 2015 was:	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average Rate %
Instalment loans	7,984	1,965	6,019	3.90%
Non-instalment loans	<u>9,126</u>	<u>-</u>	<u>9,126</u>	<u>4.59%</u>
	17,110	1,965	15,145	4.30%

The interest rate profile of the Company at 31 March 2015 was:	Total £'000	Variable Rate £'000	Fixed Rate £'000	Weighted Average Rate %
Instalment loans	6,829	1,965	4,864	3.62%
Non-instalment loans	<u>9,126</u>	<u>-</u>	<u>9,126</u>	<u>4.59%</u>
	<u>15,955</u>	<u>1,965</u>	<u>13,990</u>	<u>4.28%</u>

Notes to the Financial Statements
For the Year Ended 31 March 2015

14. Recycled capital grant fund

Group and Company	2015 £'000	2014 £'000
At start of the year	317	256
Grants recycled	76	221
Interest charged	<u>1</u>	<u>-</u>
	394	477
Grant utilised	<u>(171)</u>	<u>(160)</u>
At end of the year	<u>223</u>	<u>317</u>

15. Called up Share Capital

Group	2015 £	2014 £
Allotted Issued and Fully Paid:		
At start of the year	38	33
Issued during the year	1	5
Shares cancelled	<u>(4)</u>	<u>-</u>
At end of the year	<u>35</u>	<u>38</u>

Company	2015 £	2014 £
Allotted Issued and Fully Paid:		
At start of the year	37	32
Issued during the year	1	5
Shares cancelled	<u>(4)</u>	<u>-</u>
At end of the year	<u>34</u>	<u>37</u>

The shares do not have a right to any dividend or distribution in a winding-up, and are not redeemable. Each share has full voting rights.

Notes to the Financial Statements
For the Year Ended 31 March 2015

16. Revaluation reserve	2015	2014
	£'000	£'000
Group		
At start of the year	583	577
Arising during the year	-	-
Released during the year	<u>6</u>	<u>6</u>
At end of the year	<u>589</u>	<u>583</u>

The revaluation reserve arises on consolidation of Arcon Developments Limited who hold properties at market value.

	2015	
Other Reserves	Revenue	Total
	£'000	£'000
Group		
At start of the year	14,892	14,892
Prior year adjustment (see note 28)	-	-
Transfer (to)/from Revaluation Reserve	(6)	(6)
Surplus for the year after tax	<u>843</u>	<u>843</u>
At end of the year	<u>15,729</u>	<u>15,729</u>

		2015
	Revenue	Total
	£'000	£'000
Company		
At start of the year	13,680	13,680
Prior year adjustment (see note 28)	-	-
Surplus for the year after tax	<u>864</u>	<u>864</u>
At end of the year	<u>14,544</u>	<u>14,544</u>

17. Capital Commitments

Group	2015 £'000	2014 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,405	1,338
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	<u>5,183</u>	<u>3,058</u>
	<u>6,588</u>	<u>4,396</u>
Company	2015 £'000	2014 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	1,405	1,338
Capital expenditure that has been authorised by the board of management but has not yet been contracted for	<u>4,865</u>	<u>2,766</u>
	<u>6,270</u>	<u>4,104</u>

The Association's Asset Management Strategy provides for open market sales where appropriate after appraising potential options. The proceeds from these sales are used to fund the major improvement programme and also invest in new housing stock. Other funding sources in the year will include Social Housing Grant and additional borrowings from Barclays Bank and THFC.

18. Pension Obligations - Group & Company

The Association operates a defined contribution pension scheme. The charge for the period is £86,090 (2014: £86,222) and at the balance sheet date there were contributions outstanding of £7,445 (2014: £7,115).

19. Directors' Emoluments – Group & Company	2015	2014
The aggregate emoluments paid to or receivable by non executive Directors and former Directors.	£'000	£'000
	<u>11</u>	<u>9</u>
The aggregate emoluments paid to or receivable by executive Directors and former Directors	<u>330</u>	<u>321</u>
The Association carried out a Governance Review in 2012/2013 and introduced remuneration for the Board with effect from 1 October 2013.		
	£'000	£'000
The emoluments paid to the highest paid Director excluding pension contributions:	<u>91</u>	<u>89</u>

Notes to the Financial Statements
For the Year Ended 31 March 2015

19. Directors' Emoluments – Group & Company (Continued)	2015	2014
	£'000	£'000
The aggregate amount of any compensation paid to Directors or former Directors during the period of account.	-	-
	£'000	£'000
The aggregate amount of Directors or past Directors' pensions, excluding amounts payable under a properly funded pension scheme.	-	-
	£'000	£'000
The aggregate amount of any consideration payable to or receivable by third parties for making available the services of a Director.	-	-
	Number	Number
The number of full time equivalent staff whose remuneration payable fell within band of:		
£60,000 to £69,999	-	-
£70,000 to £79,999	1	1
£80,000 to £89,999	-	-
£90,000 to £99,999	-	-
£100,000 to £109,999	-	-
£110,000 to £119,999	-	-
£120,000 to £129,999	-	-

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a defined contribution scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Association of £11,518 (2014: £11,292) was paid in addition to the personal contributions of the Chief Executive.

Directors are defined as the members of the Board, the Chief Executive and any other person who is a member of the Senior Management Team or its equivalent.

20 Employee Information – Group and Company	2015	2014
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	20	20
Wardens, caretakers and cleaners	2	2
	22	22

20 Employee Information – Group and Company (Continued)

	2015 £'000	2014 £'000
Staff costs (for the above persons)		
Wages and salaries	776	745
Social Security costs	83	80
Other pension costs	86	86
	<u>945</u>	<u>911</u>

21. Group Cash Flow Statement Notes

	2015 £'000	2014 £'000
Returns on investments and servicing of finance		
Interest received	10	35
Interest paid (including capitalisation)	<u>(578)</u>	<u>(596)</u>
	<u>(568)</u>	<u>(561)</u>
Financing		
Issue of ordinary Shares	-	-
Loans received	-	-
Loans costs paid	(415)	(374)
Issue costs incurred	<u>-</u>	<u>-</u>
	<u>(415)</u>	<u>(374)</u>

	At start £'000	Cashflows £'000	At end £'000
Change in net debt			
Cash in hand, at bank	1,226	(439)	787
Current asset investments	1,493	(1,329)	164
Debt due within 1 year	(412)	3	(409)
Debt due after 1 year	<u>(17,113)</u>	<u>412</u>	<u>(16,701)</u>
Total	<u>(14,805)</u>	<u>(1,353)</u>	<u>(16,159)</u>

	At start £'000	Cashflows £'000	At end £'000
Reconciliation of cash movements			
Money market investments	1,308	-	1,308
Short term cash deposits	<u>185</u>	<u>(1,329)</u>	<u>(1,144)</u>
Total	<u>1,493</u>	<u>(1,329)</u>	<u>164</u>

22. Sale of Properties – Group & Company

Group	Total 2015 £'000	Total 2014 £'000
Proceeds of Right to Buy Sales	-	-
Proceeds of Other Sales	170	416
Less: Costs of sales	(134)	(468)
	<u>36</u>	<u>(52)</u>

22. Sale of properties (continued)

Company	Total 2015 £'000	Total 2014 £'000
Proceeds of Right to Buy Sales	-	-
Proceeds of Other Sales	170	324
Less: Costs of Sales	(134)	(376)
	<u>36</u>	<u>(52)</u>

23. Units/Bedspaces

Group	2015 Number	2014 Number
Social Housing	946	946
Shared Ownership	44	40
Intermediate Rent	72	72
Affordable Rent	53	24
Specialist Housing	48	48
Market Rent	22	23
Managed for other bodies	<u>34</u>	<u>34</u>
	<u>1,219</u>	<u>1,187</u>

Company	2015 Number	2014 Number
Social Housing	946	946
Shared Ownership	39	35
Intermediate Rent	72	72
Affordable Rent	53	24
Specialist Housing	48	48
Market Rent	-	-
Managed for other bodies	<u>61</u>	<u>62</u>
	<u>1,219</u>	<u>1,187</u>

Arcon Housing Association Limited

**Notes to the Financial Statements
For the Year Ended 31 March 2015**

24. Social Housing Grant – Group & Company	2015	2014
	£'000	£'000
The total accumulated SHG received or receivable at the balance sheet date from both capital and revenue sources	<u>28,028</u>	<u>27,404</u>

25. Related Party Transactions

On 4th August 2006, Arcon Housing Limited sold 32 market rent properties to Arcon Developments Limited. Arcon Developments Limited is a wholly owned subsidiary of the Association.

During the period the Association managed its subsidiary company and charged management fees of £28,616 (2014: £29,612). The Association also purchased one property from its subsidiary for £154,000. At 31st March 2015 the balance due from Arcon Developments Limited was £7,103 (2014: £7,311).

26. Legislative Provisions

Arcon Housing Association Limited is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a Registered Provider as defined by the Housing and Regeneration Act 2008. It obtained exempt charitable status on 9th October 2006.

Arcon Developments Limited is registered under the Companies Act 2006.

27. Operating Leases

Group & Company

Annual commitments under operating leases:	2015	2014
	£'000	£'000
Operating leases which expire:		
In less than one year	-	-
Between one and five years	-	-
After five years	<u>115</u>	<u>115</u>
	<u>115</u>	<u>115</u>

28. Prior Period Adjustment – Group & Company

The RP adopted the Statement of Recommended Practice (SORP): accounting by registered social housing providers Update 2010 in 2010/2011. A review of this implementation in 2013/2014 resulted in the provisions for component accounting being adjusted during the year. The financial impact of these changes is as follows

Group & Company	2014
	£'000
Net effect of re-allocation of properties on Housing Properties for Sale	(5)
The effect of overstatement of capitalised costs	<u>(474)</u>
	<u>(479)</u>