



LUTON COMMUNITY HOUSING LIMITED

FINANCIAL STATEMENTS

For the year ended

31 March 2017

LUTON COMMUNITY HOUSING LIMITED

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LUTON COMMUNITY HOUSING LIMITED

BOARD MEMBERS AND ADVISORS

BOARD OF MANAGEMENT

David Cheesman	Chair
Bashir Ul Hafeez	Vice-chair
Abdul R Malik	
Peter Rickard	Tenant
Colette McKeaveney	Resigned Nov16
Glyn Early	
Sarah Markham	
Alan Thompson	Resigned Nov16
Iain Smith	Joined Feb17

SECRETARY

Lynda Rees

REGISTERED OFFICE

Bramingham Business Park
Unit B2, Enterprise Way
LU3 4BU

BANKERS

National Westminster Bank
Park Centre
210 Butterfield, Great Marlings
Luton
LU2 8DL

AUDITORS

Knox Cropper
Chartered Accountants
8/9 Well Court
London
EC4M 9DN

SOLICITORS

Miller Rosenfalk LLP
Regus Business Centre
Fountain Court
2 Victoria Square, Victoria St
St Albans, Herts
AL1 3TF

Perrin Myddelton LLP
10 Waterside
Station Road
Harpenden, Herts
AL5 4US

HOMES AND COMMUNITIES AGENCY REGISTERED NUMBER

L1518

CO-OPERATIVE AND COMMUNITY BENEFIT SOCIETIES ACT 2014 NUMBER

19688R

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD

The Board presents its report and the audited financial statements for Luton Community Housing Limited (LCH) for the year ended 31 March 2017. LCH is a public benefit entity.

Principal activities

LCH's principal activities are the provision, management and maintenance of social housing, including support, advocacy, human resources and advice services for the local community.

During the year under review LCH has diversified into two new areas: cleaning and gardening services for other local organisations and a Social Lettings Agency (a part of LCH but trading as Luton Community Lets). LCH's mission is summed up as "Homes, Support, Hope" and, as with all areas of LCH's work, the new areas of activity have been undertaken to improve life opportunities for LCH's customers. The cleaning and gardening service offers employment and training for our customers, while the lettings agency offers more opportunity to rent from a decent, ethical landlord in the private market. It is early days for these new activities but we anticipate that eventually they will be self financing and may even provide surpluses to be reinvested in our general services.

The government imposed rent reductions, which commenced on 1st April 2016, and continue into 2016-17, mean that LCH has less flexibility to undertake these types of activities than might have been the case. The Board considers that the reduction merely exaggerates the difference in the financial situation between people in low paid employment or on benefits, who are fortunate enough to be a tenant of LCH (with subsidised rents) compared with those, who would like to have an LCH property, but have no choice other than to rent in the private sector. Most low-income families are paying market rents, often for substandard, overcrowded properties.

LCH customers generally prefer to feel they are contributing members of society rather than receiving charity via subsidised rents and benefits. In the long term it is more advantageous to both our customers and the economy if we can assist people to obtain training, leading to permanent employment and LCH will continue to seek opportunities to do this.

Review of the business

LCH made a surplus of £97,202 in 2017 compared with £123,834 in 2016, and has reserves of more than £1.9m. LCH continued to meet funding covenants in 2016-17.

Capital assets

Housing properties are included on the balance sheet at their net book value, after the deduction of depreciation, of £24,015,563 (2016: £23,035,391).

	2017		2016
	£		£
Historical cost	28,882,357		27,595,836
Depreciation	<u>(4,866,794)</u>		<u>(4,560,445)</u>
Depreciated cost	<u>24,015,563</u>		<u>23,035,391</u>
Financed by:			
- Grants	13,359,399	(46.3%)	13,523,226 (49.0%)
- Loans	9,976,054	(34.5%)	8,277,602 (29.9%)
- Reserves	1,957,576	(6.7%)	1,860,374 (6.7%)

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Post Balance Sheet events

There are no post balance sheet events to report.

Tenants

In 2016-17 rent policy changed to a decrease of 1% in accordance with Government legislation for the next four years except for supported activities which will be reduced from 2017-18 for the following three years. In 2016-17 the rent for the supported activities was CPI plus 1%.

LCH has continued to use Language Line to assist in communicating with tenants whose first language is not English.

In 2016-17, we have appointed Customer Relationship Managers (CRMs) one of whose tasks is to improve tenant involvement in order to improve and enhance life prospects. The CRMs are visiting all tenants to find out about their ambitions and future plans, this information will feed into our new tenancy plans. The CRMs use a tenancy credit check tool to monitor tenant financial stability, this tool is also used to detect fraudulent tenancies. The aim is to identify tenants in financial distress and provide the necessary support to them to improve their circumstances.

Tenants who are already experiencing the effects of the bedroom tax and benefit cap have been referred to external agencies who have experience in this area for assistance.

LCH newsletter was sent out quarterly during 2016-17.

At Robert Allen Court, our sheltered housing scheme, there are monthly tenant meetings and regular coffee mornings. Tenants have their own monthly newsletter.

In 2015-16 LCH carried out the full STAR tenant satisfaction survey, the next survey will be due to be undertaken in 2017-18.

Funding

New loan arrangement for £4.5 million was signed with RBS on the 26 June 2015 against the same properties already charged to RBS. This enabled LCH to continue to develop and purchase additional housing property stock during the year coupled with capacity for future opportunities.

At 31 March 2017 LCH had 255 unsecured properties available to offer as loan collateral, with management's internal estimate of open market value of £54 million.

The open market value is not used for accounting purposes and does not reflect LCH's intention to hold assets for social housing purposes but provides an indication of the worth of the housing property assets of LCH should these assets be made available for sale with vacant possession in the open property market.

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Maintenance and major repairs

LCH is committed to maintaining and improving its stock. Excluding overheads, £410 (2016: £13,382) was spent on major repairs expenses, and £346,209 (2016: £448,543) on responsive and planned maintenance. With a further £213,212 (2016: £272,924) on component replacements.

The in-house team includes a kitchen fitter, two maintenance officers (painting and decorating) and one maintenance officer (day to day repairs).

We continue to maintain good void turnaround times, the average completion time was less than 21 days overall, 14 days for maintenance department for all properties, and 10 days for the private leasing scheme (2016: 10), which keeps us competitive with other agencies undertaking private leasing schemes for Luton Borough Council.

Staffing

Strategic Team (ST)

The ST include the Chief Executive, Lynda Rees, Human Resources Director, Claire McDonald and the Finance Director, Steven Behan. The ST has remained stable.

Operational Management Team (OMT)

Operational Management Team (OMT) is made up of senior and junior managers and manage the operational link between the Strategic Team and the rest of the work force.

Continuing professional and job-related development throughout the organisation

Staff members across the organisation are being supported to develop skills and knowledge via a range of relevant professional qualifications such as level 5 & NVQ in Management, MSC in Project Management, level 2 & 3 NVQ in Social Care and ACCA accounting qualification.

During 2014 LCH commenced its own training programme for middle managers, which is called the "Bee's Knees" programme. The programme was rolled out to staff already employed as managers during 2015 and the first cohort completed the programme successfully last year. The programme is now offered to staff who aspire to become managers in the future.

Access to job-related training is regularly provided for all staff at all levels.

We provided eight organisations with advice and support from our HR Services during 2016-17, under our "premium" HR Services package (monthly retainer/scheduled on-site visits), which resulted in an approximate number of 110 employees being supported in addition to the workforce at LCH.

Property Purchases

Luton Community Lettings (LCL)

5 properties were purchased in Luton at a total cost of £1.2M for use by LCL, our social lettings agency. The properties comprise a 2-bedroom house, two 3-bedroom houses and two 6-bedroom house of multiple occupation (HMO).

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Private Leasing Scheme

The scheme, whereby LCH leases properties as temporary accommodation, from private landlords and lets them to people nominated by Luton Borough Council from their homeless families waiting list and from the Single Homeless Prevention Team. At 31 March 2017 there were 86 properties in management (2016: 44), 22 units of these properties are owned by LCH (2016: 7). Thirty-five new leases with private landlords were signed, 6 landlord lease agreements ended and 19 leases were renewed. These properties require intensive housing management in accordance with the needs of the client group.

Hostel projects managed by our in-house team

In the year to 31 March 2017 the six in-house managed projects showed a surplus of £199,048 (excluding central costs), a reduction on the prior year surplus of £215,143, before mortgage repayments and contribution to sinking funds. Turnover was £692,636 (2016: £883,716) and operating costs were £493,588 (2016: £668,573). The Supported Housing steady-state contracts were extended for a 3 year contract term at the same grant level.

Embrace Life

Embrace Life continues to provide valuable support, advice and advocacy to people affected by HIV and to the LGBT community. This service is funded by Luton London Airport and Public Health Luton. Income of £102,400 (2016: £91,501) was generated in the year to 31 March 2017, and £97,617 (2016: £97,261) of expenses were incurred, resulting in a surplus of £4,783 for 2017 (2016: £5,760).

Open Minds – a pilot mental health service for homeless young people

This project previously ended in 2015-16 and we applied for further funding from the Big Lottery Fund Grant which has been approved in 2016-17 for 3 years, the total grant value is £277k.

The project provides Cognitive Behaviour therapy (CBT) to vulnerable homeless youth in Luton and Dunstable. With the funding LCH employed a part time (24 hours per week) CBT practitioner. We continue work with our staff to recognise the potential benefits for customers from the service, enabling them to signpost and support young people to access therapy. Partner organisations involved include the University of Bedfordshire, Mary Seacole Housing Association and Signposts (Luton). The project is believed to be unique in England. The University's role is to monitor the outcomes and undertake an academic review which will hopefully evidence the need for a continuing service in Luton and elsewhere in the country.

Luton Community Lettings (LCL)

Created in January 2016 (with an official launch in May 2016) to provide a social lettings agency in Luton and combined with our existing Private Leasing Scheme. We are now offering landlords the choice of long-term lease contracts and property management services, so that we can utilise the properties to meet the housing needs of local people.

LCL is also responsible for managing the Private Leasing Scheme.

Supported Housing

Supported Housing department moved into a new area, working with the local authority, Luton Borough Council, providing support to Unaccompanied Asylum Seeking Children (UASC), there are 2 projects up and running and working towards supporting more clients. Properties in use were leased from Private Landlords on behalf of Supported Housing department.

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

LCH Cleaning and Gardening Services

Created as a social enterprise with the two main aims being:

1. To create a new and diversified income stream for LCH that enables it to continue to provide affordable rents in properties of the highest standards possible;
2. To create viable employment and training opportunities for some of the most 'hard to reach' individuals living in communities that have been identified as among the most deprived in the country. It seeks to engage LCH tenants/residents that are unemployed and thereby increase their opportunity for social and economic mobility.

The initiative has met with some success in achieving these aims and now provides LCH with cleaning services and has developed contracts with third parties.

Housing for older people

There were 28 properties in Luton designated for older people in 2017 (2016: 28). There are also eight one-bedroom flats in Barton-Le-Clay for elderly persons who are independent and do not need a visiting service or warden.

Quality of services

LCH strives to provide quality services, matching or exceeding the best. We do this through a committed and well-trained staff team, which also reflects the local community and our customers. To test the quality of our services we have applied for accreditation through external assessments as follows:

i. Investors in People

In March 2013 LCH was proud to be reaccredited as an Investor in People but for the first time at Gold standard. Following the full assessment in March 2016 LCH has maintained Gold status for an additional year under the new tougher standards and we are developing an action plan for reaccreditation in 2017 to maintain this level.

ii. Leaders in diversity

To test our performance in the way we manage diversity throughout the organisation, this recognises those organizations that have performed particularly well in EDI and benchmarks them against others.

Very few organisations in Luton have achieved this level of recognition of their approach to diversity and nationally only a few organisations have achieved Leaders in Diversity. LCH is proud to use the logo on all our paperwork and has achieved number 22 in 2017 (2016: 29) in the National Centre for Diversity Top 100 organizations.

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

The Board

During the year there was one addition to membership of the Board of Management and a potential new member was invited to attend. The five year business plan has been reviewed and approved by the Board and has been disseminated to all staff in a visual representation and will be regularly updated. LCH is actively seeking new board members, with specific skills to help it achieve its vision. New board members as well as tenant board members are always welcome and applications are welcomed. Another potential member attended the most recent Board meeting as an observer. There are currently seven board members including one tenant. There are vacancies for up to five more members.

Statement of the board's responsibilities

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

The law requires the Board of Management to prepare financial statements for each financial year. Under that law the Board of Management has elected to prepare LCH's financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland September 2015". The Board of Management must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of LCH and of the surplus or deficit for that period.

In preparing these financial statements, the Board of Management are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Board of Management is responsible for keeping adequate accounting records that are sufficient to show and explain LCH's transactions and disclose with reasonable accuracy at any time the financial position of LCH and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for private registered providers of social housing 2015 and the Statement of Recommended Practice: Accounting by registered social housing providers (SORP 2014). They are also responsible for safeguarding the assets of LCH and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going Concern

The Board has a reasonable expectation that LCH has adequate resources to meet committed contractual expenditure and all known liabilities as they fall due and to continue in operation for the foreseeable future.

The Board continues to adopt the going concern basis for preparing the financial statements.

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Internal Control

The Board acknowledges that it is responsible for the system of internal control within LCH and for reviewing its effectiveness. The Board recognises that such systems are designed to manage rather than eliminate risks of failure to achieve the business objectives of LCH. Such systems can only provide reasonable rather than absolute assurances against material misstatements or losses.

The process for identifying, evaluating and managing significant risks faced by LCH is ongoing and has been in place for the year under review, and up to the date of approval of the annual report and accounts. The process is regularly reviewed by the Board and managed by the Management Team.

The Board has retained the management authority for reviewing the internal controls systems. The Board reviews policies regularly and a cycle has been established to ensure this regular review continues.

The following policies and procedures are in place to support the Board's assurance on internal controls:

- Code of governance
- Commitment made to "NHF Code of Integrity at Work" by each staff member
- Complaints
- Conflict of Interest
- Data Protection
- Delegated Authorities
- Disciplinary
- Equal Opportunities
- Financial Regulations
- Gifts and Hospitality
- Health & Safety
- Internal Fraud
- Probity and Propriety
- Programme of independent Internal Audit
- Risk Management
- Whistle-blowing

An annual internal audit is carried out by an independent organisation. The last review took place in March 2017.

The Board have not had to deal with any material internal control problems in the year. The Management Team would highlight such problems to the Board and an action plan for the Management Team to carry out would be agreed at Board level. There are no regulatory concerns currently outstanding with the Homes and Communities Agency and the Board is satisfied that the internal controls are constantly being reviewed to identify areas of improvement.

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Risk

The Board accepts that no organisation can provide a service, and grow, without taking some risk. Therefore, on an annual basis, the Board reviews the risks faced by LCH, and are satisfied that the risk management is adequate and is continuously under review.

Governance

At a board meeting in July 2015 the Board reviewed its performance and in particular considered its compliance against the National Housing Federation code of conduct and the Homes and Communities Agency Regulatory Framework. In reviewing its compliance the Board took into account an independent report carried out as part of the Internal Audit in May 2015. The Board has adopted the NHF Excellence in Governance 2011 and plans to adopt the Code of Governance 2015. The Board considers that LCH meets the requirements of both the NHF Code of Governance and HCA governance and viability standard with the following minor exceptions:

- **Compulsory retirement of board members after 3 full terms (9 years).**

Two co-opted Board members have completed more than 9 years service. They will retire annually at the Annual General Meeting. The Board feels that the 9 year service rule is difficult for a small association to achieve without depleting the board of valuable skills and stability. The Board therefore intends to continue re-appointing longer term members as co-optees for as long as it is of benefit to LCH. The Board reviewed its 5 year business plan at its November 2015 board meeting. Recognising its intention to develop new streams of income to support its charitable activities the Board is seeking additional board members with appropriate skills and knowledge. In the meantime, the skills and commitment of long-standing Board members is also valued along with the continuity and stability that this provides.

- **Strategy for board renewal**

The Board has invited two potential members to attend as observers which has been successful.

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Value for money (VfM)

VfM Strategy

Value for money is not a new consideration for the Board and staff of LCH. The origins of value for money at LCH started with the Best Value Review set by the HCA many years ago.

For LCH Value for Money simply means delivering the right outcomes for minimum resource.

1. LCH has set the following objectives in relation to value for money;
 - integrate Value for Money principles within LCH's existing management, planning and review processes
 - to adopt recognised good practice where appropriate
 - to promote a culture of continuous improvement
 - to ensure that all staff routinely seek Value for Money to demonstrate actively to internal and external stakeholders that Value for Money is not only sought but also achieved in all activities undertaken.

2. For this purpose, Value for Money is considered to comprise the following interdependent elements:

Efficiency – Relationships between the goods and services produced (outputs) and the resources used to produce them (“Doing things the right way”).

Effectiveness – How well an activity is achieving its policy objectives or other intended results (“Doing the right things”).

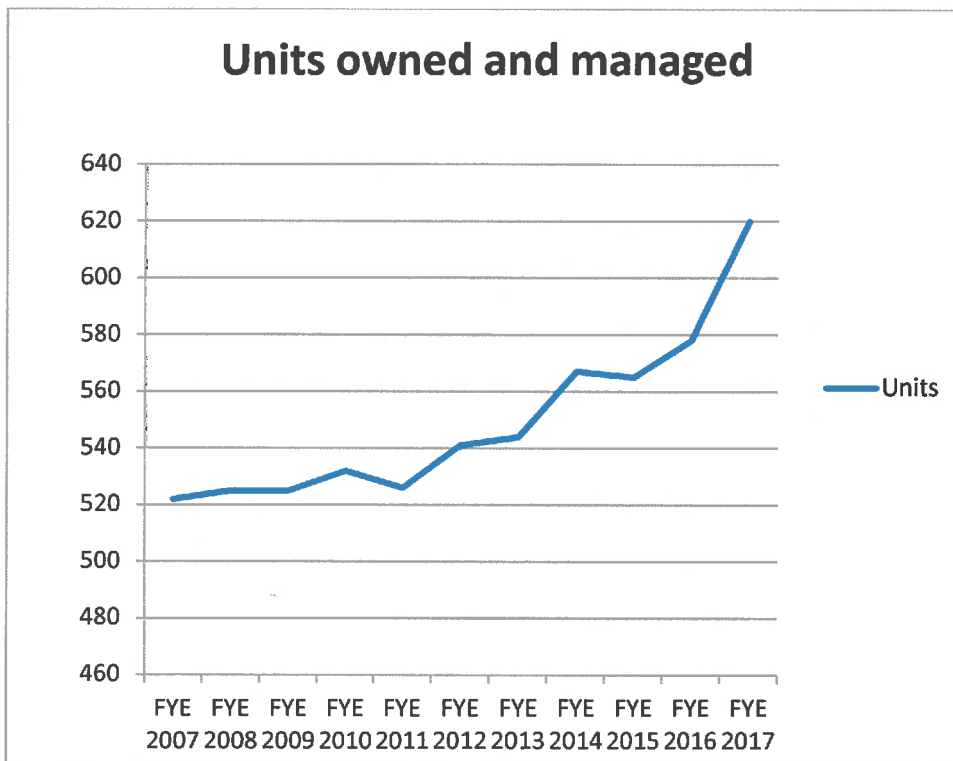
Economy – Obtaining the appropriate quantity of resources at lowest cost, taking the required service and quality levels into consideration (“Doing things at the right price for the expected standard”).

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Value for money (continued)

As some property management costs are fixed in nature, the return from the asset portfolio can be increased by growing the portfolio to create economies of scale. This chart shows the increase in owned property over the last six years.



LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Peer Group Benchmarking

This report was generated from Acuity benchmarking data via the Housemark website, of similar sized housing associations both in the South and who are part of a benchmarking group known as SHAPE. However, some more useful insight can be gained from comparing ourselves with organisations operating in inner London boroughs. We are currently investigating the results of the average weekly management cost per dwelling and to what extent it is influenced by the fact that our two largest estates are 28 and 22 units only. A number of other factors influence the calculation of management cost per unit such as the move to new offices, a change in the working environment through open plan offices and hot desking, the diversification into new service areas and the up-coming restructure of the general needs housing team. Taking these into account LCH intends to undertake a thorough review of the overhead apportionment policy in 2016-17.

Key: GN – General Needs
HfOP – Housing for Older People

	LCH 2016/17	Peergroup median 2016/17	London median 2016/17	LCH 2015/16	Peergroup median 2015/16	London median 2015/16
LCH BENCHMARKING RESULTS						
Satisfaction - overall service - OP	94	94	93	88	93.75	91
Satisfaction - quality of home - OP	94	94	94	86	98	92.5
Satisfaction - neighbourhood - OP	78	91	91	81	90.5	89.5
Satisfaction - VFM rent - OP	94	94	94	80	89.5	85.5
Satisfaction - VFM service charges - OP	76	87	77	65	85	77
Satisfaction - repairs and maintenance - OP	88	94	88	88	94	90.5
Satisfaction - listens to views and acts - OP	81	86	81	65	77.5	79.5
Ave re-let time - GN & HfOP	31	23	14	39	17.9	14.4
Ave re-let time - GN	32	17	17	34	15	23
Ave re-let time - HfOP	27	22	12	42	23.6	38
% rent collected - GN	96	99	100	102	99.92	100.08
Current tenant arrears - GN only	3.5	2.9	3.2	3.9	1.87	3.18
Reactive maintenance % of total	86	55	54	71.5	32.5	48.17
Planned maintenance % of total	14	45	46	28.5	36.03	48.35
Operating Cost as % of Turnover	93	69	68	80.9	67.67	68
Ave weekly management cost per dwelling	16	13	16	29	18.21	24.7
Weekly investment per unit	10	23	24	37	30.21	23.76
Rent collected from current tenants - HfOP	99	98	99	103.9	99.84	100.7
Current tenant arrears - HfOP	0.1	0.59	2.54	1.2	0.64	1.89
% repairs completed within target time	99	96	98	99	96.74	97.7
Average Energy Efficiency Rating	67	75	70	67	73.8	71.23
% dwellings with a valid gas safety cert	100	100	100	100	100	100
Weekly expenditure on reactive repairs per unit	9	9	10	14.5	5.71	19.82
Void losses - GN & HfOP	1.71	0.88	0.5	0.4	0.6	0.29

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Ongoing VfM activities

We are engaged in the following ongoing activities to ensure our VfM objectives continue to be met:

- A planning process is carried out in advance of each financial year, where the budget is drawn up and submitted to Board for approval, and advised to budget holders.
- An annual internal audit process where the internal auditors review systems to ensure the objectives are achieved in the most economic and efficient manner.
- A number of policies and procedures in place feed into the Value for Money Reviews, such as financial regulations, treasury management policy, service charge policy, recharge procedure and equality policy, to name a few.
- New projects, contracts, investments and/or material purchases are appraised by carrying out financial and non financial investment appraisal techniques such as social return on investment, payback and cost benefit analysis.
- We demonstrate staff satisfaction by maintaining our Investors In People certification.
- Continuous improvement in meeting tenants needs and expectations through the tenant survey, forums and newsletters.
- Partnership; working with partner agencies on training procurement.
- Taking part in Shape Group benchmarking via Skills and Projects website hosted by the Housing Quality Network.
- Use of approved contractors and tender and bid process as well as a review of all contracts at renewal.

However, because of the focus on outcomes in the new standard through self-assessment, it has become necessary for a robust Value for Money strategy to be developed, to be reviewed, and for outcomes to be evidenced in order to maximise our use of assets, improve service quality while keeping costs reigned in as much as possible, all of which should effect continuous improvement across the organisation.

Below there are some key metrics that are used to monitor the outcomes from our VfM activities.

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Ongoing VfM activities (continued)

Return on assets

RETURN ON ASSETS	31 March 2017	31 March 2016
Tangible fixed assets	£25,204,534	£24,212,845
Surplus for the year	£97,202	£123,834
Return on Net Assets	0.39%	0.51%
Current cost of capital	2.98%	3.43%
Long term cost of capital	5.00%	5.00%

Cost of delivering services

FINANCIAL RATIOS	31 March 2017	31 March 2016
Total borrowing to Net Worth (excluding acquisition costs)	0.23	0.19
Total borrowing to Net Worth (including acquisition costs)	0.61	0.52
Operating profit to Interest payable	1.93	2.48
Existing Use Value of charged properties to outstanding debt	118%	108%

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Ongoing VFM activities (continued)

Value for money gains

	Value for Money activity evidence log	Date	Value of saving/gain £ p.a.	Description
1	Big Lottery partnership agreement	Nov-16	£4,000	Saving made by amending previous partnership agreement to suit the current contract without the service of a legal firm
2	Luton Community Lettings activity	Ongoing	£6,000	LCL are doing all of their own inventories for HMO's saving £120 per inventory X 50
3	Luton Community Lettings activity	Ongoing	£1,500	LCL doing floor plans thus saving us £30 per floor plan X 50
4	Luton Community Lettings activity		£570	LCL Had 3 hoovers donated and 5 lawn mowers saving LCH money Approx. £330 on Hoovers and £240 on lawn mowers

LCH continued the above activities when considering Value for Money, during 2016-17;

- Bees Knees management training programme was restarted for the workforce and linked to the strategic decision to strive to achieve the Investor in Excellence accreditation.
- Purchased a new housing software system for use organisation wide to improve efficiency and effectiveness of workforce. There is also a value for money saving achieved, as shown by the evidence log under the heading of value for money gains.
- Working towards a paperless office philosophy being implemented throughout the organisation using our existing document management system and cloud server storage.
- Implemented cloud server storage and managed IT (computer and telephone) services, leaving staff free to work with more reliable and standardised equipment and tools in order to be more efficient.
- Purchased Human Resource (HR) web based system to improve efficiency, effectiveness of HR and payroll processes and procedures for all staff, as well as achieving goal of being a paperless office.
- Introduced Perkbox staff benefit scheme and staff incentive scheme as part of our investment in staff to improve retention and reduce staff turnover.

LUTON COMMUNITY HOUSING LIMITED

REPORT OF THE BOARD (continued)

Priorities for 2017 -18 are to;

- Continue to evaluate all new projects and activities using social return on investment (SROI) in addition to the existing financial appraisal techniques.
- Seek out new business opportunities to supplement our income.
- Decision to purchase alternative Payroll system to improve efficiency, effectiveness of HR and payroll processes and procedures for all staff, as well as achieving goal of being a paperless office which interfaces with the recently purchased HR system.
- Implement cloud telephony services in 2017-18 to promote agile working for all staff team.

Luton Community Housing Community Development Programme

As part of the LCH corporate strategy, the organisation commenced a community service project in the form of a social enterprise in March 2015 referred to above as LCH Cleaning and Gardening Services. The primary aim of this project is to support LCH tenants and residents and other long-term unemployed people from the Luton community through a 'people development' programme that offers a workable alternative to continued unemployment, low incomes and welfare dependency. It also offers an innovative training programme that improves skills and qualifications among beneficiaries, which also provide flexible pathways for career progression. Some of LCH's tenants have already seized the opportunities to try to better their current situation.

- Continue to consult with tenants in order to stay up to date with their needs and priorities and satisfaction levels.
- Budget monitoring jointly carried out by finance department and budget holders to devolve responsibility and improve knowledge of cost arrangements to improve control.
- Status survey was carried out, as soon as it became apparent that there were no savings to be made by carrying them out jointly with other housing associations in our benchmarking group. Star status survey took place in .2015-16.

The above mentioned activities link to the activities of LCH outlined in the Board report such as the project named Open Minds (Big Lottery Fund Grant) and Quality of Services.

By order of the Board of Management



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David Cheesman
Chairman

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
LUTON COMMUNITY HOUSING LIMITED

We have audited the financial statements of Luton Community Housing Limited for the year ended 31 March 2017, which comprise the Statement of Comprehensive Income, the Statement of Changes in Capital and Reserves, the Statement of Financial Position, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

RESPECTIVE RESPONSIBILITIES OF THE BOARD AND AUDITORS

As explained more fully in the Statement of Board's responsibilities, set out on page 8, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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 Report of the Board to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON THE FINANCIAL STATEMENTS

In our opinion the financial statements:

- give a true and fair view of the state of Luton Community Housing Limited's affairs as at 31 March 2017 and of its income and expenditure for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, and the Accounting Direction for Private Registered Providers of Social Housing in England 2015.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
LUTON COMMUNITY HOUSING LIMITED (continued)

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.

Knox Cropper
Knox Cropper
Chartered Accountants
Statutory Auditor
Date: *27th September* 2017

8/9 Well Court
London
EC4M 9DN

LUTON COMMUNITY HOUSING LIMITED

STATEMENT OF COMPREHENSIVE INCOME for the year ended 31 MARCH 2017

	Notes	2017 £	2016 £
Turnover	2(a)	4,384,552	4,262,431
Operating costs	2(a)	<u>(3,945,255)</u>	<u>(3,806,093)</u>
Operating surplus		439,297	456,338
Interest receivable and other income	5	149	648
Interest payable and similar charges	6	(342,244)	(333,152)
Surplus for the year		<u>97,202</u>	<u>123,834</u>
Other Comprehensive Income		-	-
Total Comprehensive Income		<u>97,202</u>	<u>123,834</u>

These financial statements were approved on 27th September 2017 and were signed by:

R. Richards Board member
S. Sturkham Board member
David Cheema Chairman

The notes on pages 24 to 44 form part of these accounts.

A statement of movement in reserves is set out page 23.

The results for both years are wholly attributable to continuing activities.

LUTON COMMUNITY HOUSING LIMITED

STATEMENT OF FINANCIAL POSITION at 31 MARCH 2017

	Notes	2017 £	2016 £
Tangible fixed assets			
Housing properties	10	24,015,563	23,035,391
investment properties	19	426,712	426,712
Other tangible fixed assets	10	762,259	750,742
		<u>25,204,534</u>	<u>24,212,845</u>
Current assets			
Debtors due within one year	11	141,361	193,389
Cash and cash equivalents		525,865	(180,107)
		<u>667,226</u>	<u>13,282</u>
Creditors: amounts falling due within one year	12	(1,091,367)	(1,069,384)
		<u>(1,091,367)</u>	<u>(1,069,384)</u>
Total assets less current liabilities		24,780,393	23,156,743
Net current assets/liabilities		<u>(424,141)</u>	<u>(1,056,102)</u>
Creditors: amounts falling due after more than one year	13	(22,822,800)	(21,296,352)
Total net assets		<u>1,957,593</u>	<u>1,860,391</u>
Capital and reserves			
Non-equity share capital	14	17	17
Revenue reserve		1,948,136	1,860,374
Restricted reserve		9,440	-
Total net assets		<u>1,957,593</u>	<u>1,860,391</u>

These financial statements were approved on 27th SEPTEMBER 2017 and were signed by:

P. Roberts Board member
S. Markham Board member
David Cheva Chairman

The notes on pages 24 to 44 form part of these accounts.

LUTON COMMUNITY HOUSING LIMITED**STATEMENT OF CASH FLOWS for the year ended 31 MARCH 2017**

	Notes	2017 £	2016 £
Net cash generated from operating activities	17	<u>891,067</u>	<u>631,768</u>
Cash flow from investing activities			
Purchase of other fixed assets		(64,106)	(540,563)
Purchase of tangible fixed assets		(1,434,724)	(849,322)
Purchase of investment properties		-	(426,712)
Disposal Proceeds		-	12,000
Interest received		149	648
		<u>(1,498,681)</u>	<u>(1,803,949)</u>
Cash flow from financing activities			
Interest paid		(342,244)	(333,152)
New loan drawdown		2,000,000	1,500,000
Loan repaid		(344,170)	(35,835)
		<u>1,313,586</u>	<u>1,131,013</u>
Increase/(decrease) in cash		<u>705,972</u>	<u>(41,167)</u>
Cash and cash equivalents at start of the year		<u>(180,107)</u>	<u>(138,940)</u>
Cash and cash equivalents at end of the year		<u>525,865</u>	<u>(180,107)</u>

LUTON COMMUNITY HOUSING LIMITED

STATEMENT OF CHANGES IN CAPITAL AND RESERVES for the year ended 31 MARCH 2017

	Share capital £	Restricted reserve £	Revenue reserve £	2017 Total £	2016 Total £
Reserves					
Balance at 1 April	17	-	1,860,374	1,860,391	1,736,557
Total comprehensive income for the year	-	9,440	87,762	97,202	123,834
Balance at 31 March	<u>17</u>	<u>9,440</u>	<u>1,948,136</u>	<u>1,957,593</u>	<u>1,860,391</u>

Restricted reserve represents Big Lottery Fund Grant received and not spent of £9,440 (2016: £Nil)

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017

1. Legal Status

LCH is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 with the Financial Conduct Authority and is a registered provider of social housing within the Housing and Regeneration Act 2008. LCH is registered with the Homes and Communities Agency (HCA).

LCH's principal activities are stated in Report of the Board of Management on page 3.

LCH's registered office is Bramingham Business Centre, Unit B2, Enterprise Way, Luton, LU3 4BU.

2. Principle Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to LCH's financial statements.

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards and the Statement of Recommended Practice for Accounting by Registered Social Housing Providers (SORP 2014) under the historical cost convention and comply with the Accounting Direction for Private Registered Providers of Social Housing 2015 ("the Direction").

In accordance with FRS102 (3.3A), LCH is a public benefit entity that has applied the "PBE" prefixed paragraphs.

These financial statements are the second annual financial statements of LCH in accordance with FRS102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland September 2015". The first date at which FRS102 was applied was 1 April 2014. In accordance with FRS102, in 2015-16, LCH:

- provided comparative information;
- applied the same accounting policies throughout all periods presented;
- retrospectively applied FRS102 as required; and
- applied certain optional exemptions and mandatory exceptions as applicable for first time adopters of FRS102.

The financial statements have been prepared under the historical cost convention as modified by the valuation of certain assets in accordance with LCH's accounting policies.

The financial statements are presented in sterling (£).

The principal accounting policies of LCH are set out below.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

2. Principal accounting policies (continued)

Turnover

Turnover represents rental income receivable, supporting people income, fees and revenue grants receivable from local authorities (Luton Borough Council and Central Bedfordshire Council), Public Health Luton and Big Lottery Fund Grant from The Big Lottery for the Open Minds Project. supporting people income is made up of grants received from Luton Borough Council.

Rental income is recognised on the basis of the amount receivable for the year. Rental income received in advance is disclosed within the creditors in the balance sheet.

Service charge income is accounted for on the basis of the value of goods or services supplied in the previous period. Any over or under recovery of service charge amounts due is reflected in the service charge income in the following year.

Government Grant received is amortised to income over the useful life of the structure of the property.

Fixed assets and depreciation

Housing properties are held for the provision of social housing or to otherwise provide social benefit. Housing properties are stated at cost less depreciation and impairment. LCH accounts for its expenditure on housing properties using component accounting. Under component accounting the housing property is divided into those major components which are considered to have substantially different useful economic lives. These components are then depreciated over their individual useful economic lives. The particular components useful economic lives when new are as follows and are capitalised at purchase cost:

Land	Infinite
Structure	100 years
Windows	30 years
Central Heating	15 years
Bathroom	30 years
Kitchen	20 years
Wiring	30 years
Roof	50 years

Where land cost is not known, an estimate is based on the matrix issued by the National Housing Federation using the Property Market Report from the Valuation Office.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

2. Principal accounting policies (continued)

Fixed assets and depreciation (continued)

Expenditure on items not separately identified as components are capitalised if they result in incremental future benefit, for example an increase in the net rental stream over the life of the property, and the carrying amount of any replaced components or part component is written off.

65 London Road

Depreciation of the refurbishment costs of 65 London Road is on a straight line basis over 15 years, being the length of the lease with Luton Borough Council.

89 Wellington Street

This property is used for administrative purposes and classified as property, plant and equipment. Depreciation is on a straight line basis over 100 years.

Unit B2, Bramingham Business Park

This property is used for administrative purposes and is also rented out to external tenants. The part used for administrative purposes is classified as property, plant and equipment with depreciation on a straight-line basis over 100 years after deducting the land cost. The part rented out is classified as an investment property.

Properties in the course of construction are stated at cost and are transferred into housing properties when completed.

Other fixed assets are stated at cost less accumulated depreciation and impairment. A full year's depreciation is charged in the year of purchase, but no charge is made in the year of disposal. Depreciation is charged on an annual basis as follows:

	Rate	Basis
Office improvement works (leasehold office at 108 Wellington Street)	4%	Over life of lease
Office/computer equipment	10%/33%	Straight line
Property fixtures & fittings	25%	Straight line
Motor vehicles	25%	Reducing balance
Software	20%	Straight line

Investment property

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are initially measured at cost and subsequently at fair value. Revaluation surpluses and deficits are recognised as part of the income statement.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

2. Principal accounting policies (continued)

Government grant

Government grant is a grant from the Homes and Communities Agency (HCA) to reduce the capital cost of social housing developments.

Government grant comprises social housing grant, grant from local authorities and other government sources. No Grant was received or receivable in the year.

Capital grants received for housing properties are recognised in income over the expected life of the asset they have funded on a straight-line basis under the accrual model. The unamortised element of the government grant is recognised as deferred income in creditors.

Under most circumstances, if housing properties are disposed of Social Housing Grant is repayable to the Homes and Communities Agency or subject to restrictions on use and included in the creditors "The Recycled Capital Grant Fund".

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose a specific future performance condition is recognised as revenue when the grant proceeds are receivable. A grant that imposes a specific future performance related condition on LCH is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is shown as a liability in the Statement of Financial Position.

Short term employee benefits

Pension costs

LCH contributes to a defined contribution pension scheme. Contributions are charged to the income and expenditure account in accordance with the rules of the scheme. Differences between contributions payable and those actually paid are shown as either accruals or prepayments in the balance sheet.

Holiday Pay

Holiday pay is accrued as services are rendered. Any differences are shown as either accruals or prepayments in the Statement of Financial Position.

Employee termination benefits

Where LCH has committed to pay employee termination benefits before the year end, those benefits are accrued in the current year.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

2. Principal accounting policies (continued)

Financial Instruments

Financial assets and financial liabilities are recognised when the Association becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities comprise investments, trade and other debtors, cash and cash equivalents, trade and other payables and loans.

All financial assets and financial liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Comprehensive Income, which are initially measured at fair value (normally the transaction price less transaction costs), unless the arrangement constitutes a financial transaction. If an arrangement constitutes a financial transaction, the financial asset or financial liability is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the Statement of Financial Position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Association intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the conditions of Section 11.9 of FRS 102 are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

2. Principal accounting policies (continued)

Financial Instruments (continued)

Financial assets are only derecognised when and only when:

- the contractual rights to the cash flows from the financial asset expire or are settled,
- the Association transfers to another party substantially all the risk and rewards of ownership of the financial asset, or,
- the Association, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

The Association does not use standalone derivative financial instruments to reduce exposure to interest rate movements.

Impairment

Assets, other than those measured at fair value, are assessed for indicators of impairment at each reporting date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of Comprehensive Income as described below.

Non-financial assets

Non-financial assets comprise tangible fixed assets. The Association's tangible fixed assets are assessed for impairment at each reporting date. Where indicators are identified, then an assessment is undertaken to compare the carrying amount of assets or cash-generating units for which impairment is indicated to their recoverable amounts. If there is objective evidence of impairment, an impairment loss is recognised immediately in the Statement of Comprehensive Income.

A cash generating unit is the smallest identifiable group or assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

2. Principal accounting policies (continued)

Impairment (continued)

Value in use represents the present value of the future cash flows expected to be derived from an asset or cash-generating unit, appropriately adjusted to account for any restrictions on their use. The assessment of value in use may involve considerations of the service potential of the assets or cash-generating units, provided the property concerned is being used for social housing and is in demand. Value in use for assets held for their service potential represents the depreciated replacement cost, being the most economic cost required to replace the service potential of the asset. Depreciated replacement cost is the lower of the cost of constructing or acquiring a replacement asset to provide the same level of service potential. The cost of acquiring a replacement asset could be either through purchasing an equivalent property on the open market or purchasing an equivalent property from another registered provider, providing there is considered to be an active market.

Where indicators exist for a decrease in impairment loss previously recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

Financial assets comprise trade and other debtors and cash and cash equivalents.

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

2. Principal accounting policies (continued)

Judgements and estimates

Impairment

From 1 April 2016, LCH has reduced social housing rents by one per cent per annum and will continue to do so in each year until 2019/20 in accordance with the Housing and Planning Act 2016. This is a trigger for impairment.

As a result, in April 2016, we estimated the recoverable amount of its housing properties as follows:

- a) determined the level at which recoverable amount is to be assessed (i.e. the asset level or cash generating unit (CGU) level). The CGU level was determined to be an individual scheme or building
- (b) estimated the recoverable amount of the cash-generating unit by using fair value
- (c) calculated the carrying amount of the cash-generating unit and
- (d) compared the carrying amount to the recoverable amount to determine if an impairment loss has occurred.

Based on this assessment, we calculated the Depreciated Replacement Cost (DRC) of each social housing property scheme or building, using appropriate construction costs provided by a local architect. Comparing this to the carrying amount of each scheme, it was concluded that no impairment charge was required against its social housing properties.

Recoverable Amount

The recoverable amount of a scheme is the higher of its fair value less costs to sell and its value in use. Value in use for housing schemes which are able to be let in their current condition and which are fulfilling the social purpose for which they were acquired is based on the depreciated replacement cost of the asset. Depreciated replacement cost is the most economic cost required to replace the service potential of an asset. Construction costs provided by a local architect have been compared with EUV-SH and there is not considered to be any impairment of property.

Useful Lives

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the asset. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to circumstances which may require more frequent replacement of key components.

The key judgements and estimates applied in respect of housing properties are disclosed above and include the useful economic life of property structure at 100 years and that properties have no residual values at the end of useful life.

These are conservative assumptions that have been aligned with general practice followed by registered housing providers.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

2. Principal accounting policies (continued)

Judgements and estimates (continued)

Basic versus other

Following review in accordance with FRS102 (Section 11) all financial instruments are considered to be basic.

Bad debt provision

The trade debtors balance of £216,674 (2016: £206,413) recorded in LCH's statement of financial position comprise a relatively large number of small balances. A full line by line review of trade debtors is carried out at the end of each month. All former tenant balances are provisioned as appropriate and specific current tenant provisions are made where necessary following review.

PLS handback provision

Held to cover cost of repairs upon hand back of property to a private landlord and reviewed annually.

Valuation of investment property

After initial recognition investment property is measured at its fair value based on the valuation by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and class of the investment property valued. The property at Bramingham Park was purchased 1 October 2015 and is considered to be held at fair value.

Identification of housing property components

Housing property depreciation is calculated on a component by component basis. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected, listed in the accounting policies fixed asset and depreciation section, are those which reflect how the major repairs to the property are managed.

Restricted reserves

Open Minds – Big Lottery Fund Grant

Restricted reserve of £9,440 at 2017 (2016: £Nil) year end represent funds related to the activities of Open Minds for grant received and not spent.

Operating leases

Rentals payable under operating leases are charged in the Statement of Comprehensive Income on a straight line basis over the lease term.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 MARCH 2017 (continued)

2. Principal accounting policies (continued)

VAT

LCH charges Value Added Tax (VAT) on some of its income and is able to recover part of the VAT it incurs on expenditure. The financial statements include VAT on expenditure to the extent that it is suffered by LCH and not recoverable from HM Revenue and Customs. The balances shown in these accounts are inclusive of VAT where applicable.

Capitalisation of interest

Interest on the mortgage or loan deemed to be financing a development is capitalised up to the date of practical completion of a housing scheme.

Supported housing

The transactions incurred directly by agencies managing LCH's projects are not included in the financial statements.

Private Leasing Scheme

The property leases are taken out for durations of one, two or three years. The assets are not reflected in LCH's statement of financial position except for 22 properties (2016: 7) which are owned by LCH.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

2(a). Turnover, operating costs and operating surplus

	2017			2016		
	Turnover	Operating costs	Operating surplus/ (deficit)	Turnover	Operating costs	Operating surplus/ (deficit)
Notes	£	£	£	£		£
Social Housing Lettings	4,147,102	(3,710,858)	436,244	3,992,885	(3,410,899)	581,986
Other Social Housing Activities	237,450	(206,088)	31,362	269,546	(278,113)	(8,567)
Development overheads not capitalised	-	(28,309)	(28,309)	-	(66,341)	(66,341)
Maintenance training programme	-	-	-	-	(50,740)	(50,740)
Total	4,384,552	(3,945,255)	439,297	4,262,431	(3,806,093)	456,338

Income for week 53 of £Nil recognised in turnover in 2017 (2016: £Nil)

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

2(b) Particulars of income and expenditure from social housing lettings

	2017			2016			
	Supported Housing £	General Housing £	Private Leasing £	Supported Housing £	General Housing £	Private Leasing £	Total £
Income from social housing lettings							
Rent receivable net of identifiable service charges	243,292	1,981,170	653,765	215,341	1,980,993	586,606	2,782,940
Service charges receivable	404,962	101,291	-	385,643	97,862	-	483,505
Amortisation of government grant	51,954	111,873	-	44,679	119,148	-	163,827
Net rents receivable	700,208	2,194,334	653,765	645,663	2,198,003	586,606	3,430,272
Revenue grants from LBC/Managing Agents	463,783	-	-	463,554	-	-	463,554
Donations and other income	971	5,609	485	560	-	-	560
Fees from schemes managed by agents and student placements	127,947	-	-	98,499	-	-	98,499
Total income from social housing lettings	1,292,909	2,199,943	654,250	1,208,276	2,198,003	586,606	3,992,885
Expenditure on social housing letting activities							
Services	98,906	85,829	4,540	116,830	123,560	-	240,390
Management	1,006,920	931,360	383,309	879,871	651,114	132,128	1,663,113
Routine maintenance	45,135	259,977	41,096	55,644	710,984	33,882	800,510
Rent losses from bad debts	23,216	33,312	13,012	2,270	(50,200)	2,629	(45,301)
Major repairs expenditure	-	2,298	(1,888)	6,317	41,250	32,125	79,692
Depreciation of housing properties	59,283	297,183	19,795	55,316	289,923	11,952	357,191
Depreciation on refurbishment of 65 London Road	10,293	-	-	10,293	-	-	10,293
Private Leasing Scheme - landlords' rent/incentive	-	-	397,282	-	-	305,011	305,011
Operating surplus on social housing letting activities	49,156	589,984	(202,896)	81,735	431,372	68,879	581,986
Rent loss from voids	(63,710)	(11,365)	(30,885)	(72,268)	(14,303)	(8,216)	(94,787)
				1,126,541	1,766,631	517,727	3,410,899

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

3	Key management personnel	2017 £	2016 £
	Expense payments made to the Directors of the association	390	-
	Aggregate remuneration for key management personnel		
	Basic salary	203,793	373,702
	Benefits in kind	1,578	4,640
	Pension contributions	13,965	22,511
		219,336	400,853
	National insurance contributions	21,224	37,159
		240,560	438,012

The non-executive directors are not remunerated.

Key management personnel have reduced from 6 senior management team members to 3 strategic team directors.

Emoluments of highest paid director, the Chief Executive (excluding pension contributions, including benefits in kind and excluding employers NI).	71,489	71,666
--	--------	--------

The Association currently operates a Group Personal Pension Scheme which is funded by contributions from the Association and the individual. The Chief Executive is an ordinary member of the pension scheme, and the Association's contribution was 8% for the year, amounting to £5,434 (2016: £5,420).

One member of staff earns between £60 - £70k and one member of staff earns between £70 - £80k.

Related party transactions

There was one tenant Board member during the year. The tenancy is on the same terms as for all the housing management procedures, including those relating to management of arrears has been applied consistently for all tenants.

As at 31 March 2017, the tenant's rent was £4.1k per annum (2016: £4,000) and had a debit balance of £172 (2016: £217).

4 Employee information

The average full-time equivalent (F.T.E.) of persons employed during the year, based on 37 hours per week, was:	2017 No.	2016 No.
Office staff	18	22
Residential staff, caretakers, maintenance workers and cleaners	28	28
	46	50
	2017 £	2016 £
Staff costs (for the above persons):		
Wages and salaries	1,344,310	1,354,293
Social security costs	109,598	109,474
Other pension costs (see note 16)	42,875	35,627
Redundancy payments	26,826	36,686
	1,523,609	1,536,080

There are two employees who earned more than £60,000 (2016: 2 employees) in the year.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

5	Interest receivable and similar income	2017 £	2016 £
	Interest on deposit accounts	<u>149</u>	<u>648</u>
6	Interest payable and similar charges	£	£
	On bank loans, overdrafts and other loans:		
	Repayable wholly or partly in more than 5 years	342,244	333,152
	Interest capitalised during the year	-	-
		<u>342,244</u>	<u>333,152</u>
7	Operating surplus	2017 £	2016 £
	Surplus on ordinary activities is stated after charging:		
	Depreciation	431,932	438,339
	Auditor's remuneration in their capacity as auditors (excl. VAT)	9,000	13,387
	Operating rentals - land and buildings	345,416	283,907
	Operating rentals - plant and machinery	<u>8,614</u>	<u>17,704</u>
8	Taxation		
	The Association has charitable model rules and its surpluses and gains are free from taxation provided that they are dealt with in accordance with the rules.		
9	Operating lease commitments		
	At 31 March 2017 the Association is committed to the total following minimum lease payments in respect of non-cancellable operating leases :		
		2017 £	2016 £
	Land and buildings		
	Within one year	538,495	244,140
	Expiring in two to five years	<u>997,344</u>	<u>361,359</u>
		£	£
	Plant and machinery		
	Within one year	15,360	8,618
	Expiring in two to five years	<u>28,130</u>	<u>10,519</u>

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

10a Tangible fixed assets

	Housing properties held for letting owned	Housing properties held for letting leased improvements	Housing properties currently under construction	Total Housing properties	Offices 89 Wellington and BBC owned	Office 108 Wellington Improvements leased	Motor vehicles, fixtures & fittings & other equipment	2017 Total	2016 Total
	£	£	£	£	£	£	£	£	£
Cost									
At beginning of year	27,417,977	154,401	23,458	27,595,836	645,809	159,881	685,581	29,087,107	27,845,329
Additions to properties	1,211,013	-	22,887	1,233,900	-	-	61,299	1,295,199	1,123,584
Work to existing properties	200,824	-	-	200,824	2,807	-	-	203,631	266,301
Transfers	420	-	(420)	-	-	-	-	-	-
Disposals	(119,894)	-	(28,309)	(148,203)	-	-	(35,853)	(184,056)	(148,106)
At end of year	28,710,340	154,401	17,616	28,882,357	648,616	159,881	711,027	30,401,881	29,087,108
Depreciation									
At beginning of year	4,486,562	73,883	-	4,560,445	20,421	159,881	560,228	5,300,975	4,975,695
Charge for the year	376,261	10,293	-	386,554	5,197	-	40,181	431,932	438,339
Disposals	(80,205)	-	-	(80,205)	-	-	(28,643)	(108,848)	(113,059)
At end of year	4,782,618	84,176	-	4,866,794	25,618	159,881	571,766	5,624,059	5,300,975
Net Book Value at 31 March 2017	23,927,722	70,225	17,616	24,015,563	622,998	-	139,261	24,777,822	23,786,133

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

10a Tangible fixed assets (continued)

	Housing properties held for letting owned	Housing properties held for letting leased improvements	Housing properties currently under construction	Total Housing Properties	Offices 89 Wellington and BBC owned	Office 108 Wellington Improvements leased	Motor vehicles, fixtures & fittings & other equipment	2017 Total	2016 Total
	£	£	£	£	£	£	£	£	£
Net book value At 31 March 2017	23,927,722	70,225	17,616	24,015,563	622,998	-	139,261	24,777,822	23,786,133
At 31 March 2016	22,931,415	80,518	23,458	23,035,391	625,389	-	125,353	23,786,133	

Cost	2017 Total	2016 Total
	£	£
Housing properties comprise:		
Freehold	24,402,039	23,116,969
Long leasehold	4,480,318	4,478,867
	28,882,357	27,595,836

Additions to properties during the year included:	
Administrative direct and indirect costs	9,315

During the year £1,435,134 (2016: £929,015) was spent on existing housing properties held for letting

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

10b Housing Properties

	Land	Structure	Other Components	2017	2016
	£	£	£	£	£
Cost					
At beginning of year	6,662,915	15,059,693	5,849,773	27,572,381	26,866,010
Additions	360,853	637,457	213,120	1,211,430	569,219
Component replacements	-	-	200,824	200,824	272,924
Disposals	-	-	(119,894)	(119,894)	(135,772)
At end of year	7,023,768	15,697,150	6,143,823	28,864,741	27,572,381
Depreciation					
At beginning of year	-	2,115,710	2,444,735	4,560,445	4,295,675
Charge for the year	-	165,253	221,301	386,554	367,483
Depn on disposal	-	-	(80,205)	(80,205)	(102,713)
At end of year	-	2,280,963	2,585,831	4,866,794	4,560,445
Net book value					
At 31 March 2017	7,023,768	13,416,187	3,557,992	23,997,947	23,011,936
At 31 March 2016	6,662,915	12,943,983	3,405,038	23,011,936	

Under most circumstances, if housing properties are disposed of Social Housing Grant is repayable to the Homes and Communities Agency or subject to restrictions on use and included in the creditors within "The Recycled Capital Grant Fund"

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

11 Debtors	2017	2016
	£	£
Amounts falling due within one year:		
Rental debtors (Owned property)	216,674	206,413
Less: bad debt provision	<u>(186,346)</u>	<u>(149,159)</u>
	30,328	57,254
Other debtors:		
Buildings Insurance	33,998	42,831
Staff loans	2,375	300
Others	<u>74,660</u>	<u>93,004</u>
	<u>141,361</u>	<u>193,389</u>
12 Creditors: amounts falling due within one year	2017	2016
	£	£
Rents in advance	70,564	75,160
Taxation and social security payable	4,172	4,748
Loan capital and interest repayable within one year (see note 13)	346,574	343,946
Private Leasing repairs provision	194,560	216,185
Pension	6,742	7,106
Supporting People grant payable	-	12,272
Big Lottery Fund Grant	6,355	-
Accruals and deferred income	56,955	85,037
Purchase ledger control account	241,618	161,103
Bank overdraft	-	180,107
Deferred Income - capital grants	<u>163,827</u>	<u>163,827</u>
	<u>1,091,367</u>	<u>1,249,491</u>
13 Creditors: amounts falling due after more than one year	2017	2016
	£	£
Deferred grants	13,195,569	13,359,396
Loans	<u>9,627,231</u>	<u>7,936,956</u>
	<u>22,822,800</u>	<u>21,296,352</u>

Housing loans from banks and building societies are secured by specific charges on the Association's housing properties and are repayable at an average rate of interest of 2.98% (2016: 3.43%) in instalments due as follows:

Loan Maturity Analysis	2017	2016
	£	£
Less than one year	348,823	343,946
Between one and two years	348,965	346,156
Between two and five years	1,057,230	1,054,064
In five years or more	<u>8,221,036</u>	<u>6,533,436</u>
	<u>9,976,054</u>	<u>8,277,602</u>

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

14 Non-equity share capital	2017	2016
	£	£
Allotted, issued and fully paid:		
At beginning of year	17	17
Added during the year	-	-
Deducted during the year	-	-
At end of year	<u>17</u>	<u>17</u>

Each member holds one share of £1 in the Association. The shares have limited rights.

They carry no entitlement to dividend, they are not repayable and do not participate in a winding up.

They carry an entitlement to vote at the Association's Annual and Special General Meetings.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

15	Capital commitments	2017	2016
		£	£
	Expenditure contracted for but not provided	-	31,968
	Expenditure approved but not contracted	-	-
		<u>-</u>	<u>-</u>
		<u>-</u>	<u>31,968</u>

The association is able to fund the expenditure above due to recently negotiated loan funding

16	Properties in management	2017	2016
		No.	No.
	General needs housing - Social	348	348
	General needs housing - Affordable	12	12
	Supported, Sheltered and Agency housing accommodation	174	175
	Private Leasing Scheme	86	44
	Total properties in management	<u>620</u>	<u>579</u>
	Properties owned	2017	2016
		No.	No.
	General needs housing - Social	348	348
	General needs housing - Affordable	12	12
	Supported, Sheltered and Agency housing accommodation	167	167
	Private Leasing Scheme	22	7
	Total properties owned	<u>549</u>	<u>534</u>

Properties owned and managed under the Private Leasing scheme are rented under an agreement with the local authority, Luton Borough Council.

LUTON COMMUNITY HOUSING LIMITED

NOTES TO THE ACCOUNTS for the year ended 31 MARCH 2017 (continued)

17 Reconciliation of operating surplus to net cash inflow from operating activities

	2017 £	2016 £
Operating surplus	439,297	456,338
Depreciation of tangible assets	431,932	438,339
Loss on disposal of fixed assets or asset replacement	75,208	33,451
Amortised grant received	(163,827)	(163,827)
Other non cash changes	34,446	(10,411)
	<u>817,056</u>	<u>753,890</u>

Working capital movements

Decrease in debtors	52,028	(71,738)
Increase in creditors	21,983	(50,384)
Net cash inflow from operating activities	<u>891,067</u>	<u>631,768</u>

18 Deferred capital grant

	2017 £	2016 £
At 1 April 2016	13,523,226	13,687,053
Amortised in the year	(163,827)	(163,827)
At 31 March 2017	<u>13,359,399</u>	<u>13,523,226</u>

After reviewing FRS 102 adjustments from 2015/16, the comparative figures for the deferred capital grant was increased by £122,226 and the brought forward accumulated depreciation was reduced by £122,226.

19 Investment Properties

Valuation	2017 £	2016 £
At 1 April 2016	426,712	-
Additions	-	426,712
Revaluation	-	0
At 31 March 2017	<u>426,712</u>	<u>426,712</u>
Net Book Value		
At 31 March 2017	<u>426,712</u>	<u>426,712</u>
At 31 March 2016	<u>426,712</u>	

The investment property was acquired in October 2015. Management consider there to be no difference in fair value between the date of acquisition and the reporting date.