Clarion Housing Group

ANNUAL REPORT AND ACCOUNTS 2017/18

CLARION HOUSING GROUP

CLARION HOUSING
ANNUAL REPORT AND ACCOUNTS 2017/18

Everybody deserves a good home

Clarion Housing Group is the country's largest housing association, with nearly 125,000 homes nationwide. It is a business for social purpose and a leading developer, scaling up to build 50,000 homes over 10 years. Its strength and reach create opportunities that change people's lives.

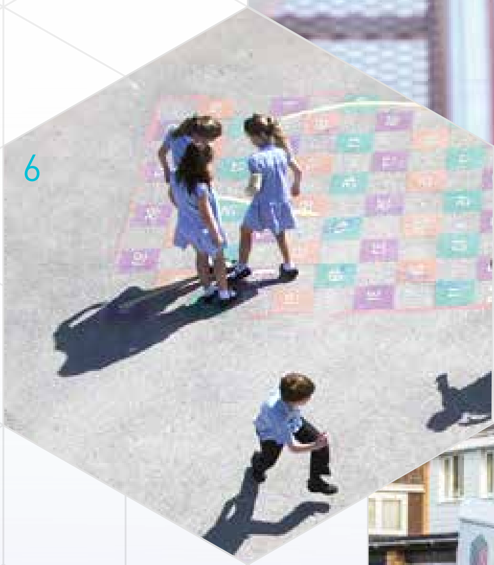
INTRODUCTION

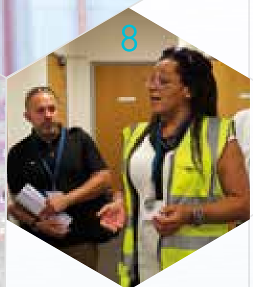
STRATEGIC REPORT

FINANCIAL STATEMENTS


2


4


6


8


24

www.clarionhg.com

THE YEAR AT A GLANCE

Financial highlights

£829m
Turnover

£157m
Net surplus

£439m
Net long-term investment in affordable housing properties

£4,432
Operating cost per home

£125m
Sales income

1.9
Interest cover

A3
Credit rating (Moody's)

37%
Operating margin

Operational highlights

80.0%
Overall customer satisfaction

88.0%
Resident satisfaction with repairs

3.4%
Rent arrears as a percentage of rent debit (social housing)

123,788
Homes managed at the end of the year

82.8%
Housing calls answered within 30 seconds

£96m
Social value of community investment

Property development highlights

1,263
New homes completed

1,038
New affordable homes completed

225
New private sale homes completed

1,428
New homes started

c.14,000
New homes pipeline

Financial strength

The stewardship of Clarion Housing Group aims to ensure long-term financial stability, delivering a well-run and efficient business with a single, unified and integrated housing association at its core.

The simplified structures enable Clarion to provide a good service to its customers and quality homes which are safe to live in. The Board has adopted a framework of Financial Golden Rules to manage financial performance. The Group's performance has been noted by the Regulator, which has awarded Clarion the highest grades for governance and viability. With a strong, stable and resilient financial position, Clarion can move forward with confidence, knowing it has the capability to provide genuinely affordable housing for those whose needs are not met by the market. Clarion is here for the long haul – it can deliver these housebuilding and community improvement ambitions for decades to come.

+ Read more on **page 22**

80.0%

Overall customer satisfaction

Highest grading
Clarion Housing Group is graded G1 and V1 for governance and financial viability – the highest possible grading

3.4%

Rent arrears
Rent arrears decreased by 0.1% compared with 2016/17

Financial resilience
Our financial strength and resilience mean we can manage adverse trading conditions, absorb market shocks and ride out economic uncertainty

Greater efficiency
By creating a single housing association, Clarion Housing, the Group can improve services and drive economies of scale

Meeting housing need

Clarion intends to play a key role in fixing the housing market.

It is already making inroads, and building on firm foundations. This year it completed 1,263 new homes and started to build a further 1,428. The number of homes built is set to significantly increase in 2018/19 in line with the Group's aim to build 50,000 new homes over 10 years, two thirds of them affordable. It is pursuing ambitious plans for new developments, for example a joint venture to build up to 2,600 homes in Ebbsfleet Garden City. It is also focusing on reviving existing communities and the transformative Merton regeneration project has now received outline planning consent.

+ Read more on **page 17**

50,000

New homes over 10 years

£426m

Spend on new homes has increased from last year, up from £292 million, reflecting an increase in our pipeline of approved schemes up from circa 8,000 homes to circa 14,000 homes

£1bn

Investment in Merton

A regeneration scheme to transform three existing estates in Merton and deliver 2,800 new homes received the go-ahead in 2017/18

New homes

Completed 1,263 new homes in 2017/18

Supporting and strengthening our communities

Clarion's social investments help to create sustainable communities, supporting residents to be independent and resilient.

Clarion Futures, the Group's charitable foundation, has pledged to invest £150 million in Clarion's communities over the next 10 years. Clarion Futures supports young residents to give them a better start in life and supports adults to become financially independent. This year, it helped over 3,000 people into employment and over 200 into apprenticeships. As the lead delivery partner for Love London Working, it also helped a further 2,800 people into work in the capital. In total, interventions such as these equated to £96 million in social value, putting Clarion Futures on track to deliver £1 billion in social value over the next decade.

+ Read more on **page 20**

3,035
People helped into employment

218
Apprenticeships started

£1bn
In social value to be delivered over the next decade

£96

Social value of community investment


million

Continued strong performance

April 2017
Ambitious proposals to invest £1 billion transforming three existing estates in the London Borough of Merton were submitted to the local authority and subsequently approved.

June 2017
A new office at Reed House in Norwich opened to accommodate many of Clarion's key operations.

August 2017
Clarion committed £22 milliion to regenerating its Barne Barton estate in Plymouth.

May 2017
A staff representation agreement with UNISON, the UK's largest union, was signed.

July 2017
Clarion staff attended the London Pride festival 2017 as part of House Proud, the LGBTQ network for social housing professionals.

September 2017
Clarion used its expertise to respond to the Government's review into building regulations and fire safety.

October 2017

Clarion Futures, Clarion's charitable foundation and the largest social investment programme of its kind, launched.

December 2017

Ruth Cooke was selected as the new Group Chief Executive, to take over from Keith Exford CBE.

February 2018

Partnership established with Ashridge Executive Education at Hult International Business School to provide high quality senior leadership development opportunities.

CLARION
FUTURES

CLARION
HOUSING

November 2017

The Future Shape of the Sector Commission held its first meeting to identify and discuss key trends which may affect housing associations through the 2020s.

January 2018

Clarion's single housing association, Clarion Housing, launched.

March 2018

Achieved G1/V1 grading, the highest available regulatory judgement for both governance and viability from the Regulator of Social Housing – a significant step forward in the delivery of consistent services to all residents.

Delivering on our objectives

Neil Goulden
Group Chairman

"Over the past year all these matters of scale, influence, service provision and investment have driven our performance."

Ruth Cooke
Group Chief Executive

We are pleased to present Clarion Housing Group's 2017/18 Annual Report and Financial Statements. Last year's first annual report of the newly created Group set out that we would be a national force in developing new homes and helping tackle the housing crisis. Furthermore, our consolidation to a single housing association would help us better deliver local services to our residents. We also said that Clarion would establish the largest social investment programme of its kind in the sector, underlining our commitment to placing our social purpose at the heart of everything we do.

We are delighted to say that over the past year all these matters of scale, influence, service provision and investment have driven our performance, reflecting the hard work of people across the Group.

After the initial work to create the combined organisation, including the consolidation of all of our legacy housing associations, we have focused on driving up the quality of our services to consistently higher levels across the Group – in many cases by establishing new ways of working. It has been a year of real challenge, but the results are starting to show, and it provides us with a strong platform to realise the long-term potential of our organisation.

This hard work can be seen in the Group's strong performance. In line with expectations, we ended 2017/18 having made a surplus of £157 million on a turnover of £829 million. Our operating surplus was £305 million and we generated an operating margin of 37%. Our financial strength is recognised by Moody's rating agency through our A3 investment grade rating, one of the strongest in the sector. These financial results enable us to develop more homes and deliver better services to residents.

The Group's first full year of operations was overseen by Keith Exford, who retired as Group Chief Executive on 6 April 2018. On behalf of the Board we would like to take this opportunity to thank Keith and wish him all the very best for the future. Since beginning his career at Southwark Council, Keith went on to become one of the leading figures in our sector. Without him, there would be no Clarion.

The two organisations that came together to form our Group capture the history of social and affordable housing over the past 100 years, from Victorian philanthropy to the shockwaves felt after the broadcast of the television drama 'Cathy Come Home' in 1966 and to today, where we have the most acute housing crisis in a generation. Our core purpose always was, and always will be, providing genuinely affordable housing to those who are not well served by the market. There are those who accuse housing associations of having forgotten their roots – they are wrong.

Clarion is a modern manifestation of those early principles of providing social housing. We are a customer service business that is working to meet housing need, but in an era where public funding is limited – and so we have to operate as efficiently and effectively as possible; that's how we fulfil our purpose. We let 5,000 homes in a year, every year. That's 5,000 life-changing moments, mostly for people moving into their first home or to a better place. This is one of the ways in which we fulfil our social purpose.

We may be the biggest, but we also want to be the best. We want to be a landlord of choice which is why, as a regulated organisation, obtaining the highest G1 and V1 grading in March 2018 is so encouraging. It demonstrates we have addressed the issues we inherited when we first merged, just as we said we would. We want to continue to improve the quality of our landlord services, so that our customers are proud to live in a Clarion home.

We have simplified our Group structure, combining 10 distinct housing associations into one, allowing us to have simpler, more effective relationships with our residents and key partners. We have also consolidated our three internal repairs providers into a combined service, Clarion Response, and brought more of our repairs services in house.

We are also making a large investment in new systems to revolutionise the way we work and, for the first time, make it possible to have a true digital offer that residents rightly expect, with more self-service for straightforward transactions. When it is needed we will visit residents in their own home, providing a truly local and visible service.

We have made these changes in order to provide our customers with a better service. While embedding new systems and ways of working take time, we are pleased to report that our overall customer satisfaction across the Group achieved the target of 80% this year.

The external environment that we operate in remains challenging. The Chancellor's Budget in November 2017 recognised the undersupply of housing and the Government acknowledges it needs to ensure 300,000 homes a year are built to tackle the backlog and the deepening housing crisis – and we agree. However, with government spending on social housing at a record low, housing associations have had to become more commercial to continue to be able to fulfil their purpose. Commercial housebuilders are driven by their shareholders; consequently they will not build homes they do not think they can sell. Housing associations are able to be flexible in changing market conditions; we can step in and build the right homes in the right places. This makes us ideally placed to help tackle the housing crisis in a way that others cannot.

£2.6 billion

We plan to invest across the country in major regeneration schemes

We are building our pipeline of new housing and two thirds of our development programme is affordable. In 2017/18 we completed 1,263 new homes across a range of tenures with public subsidy of just 4.4% of costs. We also started to build a further 1,428 new homes and have a further circa 14,000 in the pipeline as we gear up to deliver our ambitious plans of building 50,000 homes over 10 years. Our development strategy provides a framework to realise these ambitions, setting out where we want to develop, what we want to develop, at what price and for whom. To achieve our ambitions we are exploring large scale projects which give us the opportunities for place-making and creating thriving new communities. Just recently, for example, we announced a joint venture with Countryside Properties to create up to 2,600 new homes at Ebbsfleet Garden City.

Our development strategy has been finalised after a detailed review of our current housing stock, which after the merger totalled nearly 125,000 properties across the country. This detailed review is just the start of an extensive, long-term piece of work to identify the location and quality of Clarion homes in the next 20 years. We are creating a new 'Clarion Homes' standard, which will define the physical standard of our homes, and we are looking at the geographical locations where we are best placed to deliver a good, consistent service. This means that in some areas, where it makes sense for both our residents and us, we will transfer properties to other reputable Registered Providers that will be able to retain the homes as social housing and provide a local service. The money raised will be reinvested to enable us to achieve our ambition of building 50,000 homes over 10 years.

Investing in our homes remains a priority. During 2017/18 our asset management programme delivered £119 million worth of improvements to our residents' homes. We fitted 2,262 new bathrooms, 2,610 new kitchens and over 2,880 new central heating systems.

We do not just invest in individual homes. Clarion has considerable experience of estate renewal and regeneration, either on estates we own or those we regenerate in partnership with local councils. Estate regeneration can transform neighbourhoods by creating high quality, well designed places, more homes and opportunities for residents. We plan to invest £2.6 billion across the country to undertake major regeneration schemes in the London Boroughs of Merton, Ealing, and Kensington & Chelsea, and also in Plymouth. Of course it is important to build new homes, but this must not be done at the expense of those residents who live in our existing communities.

It is essential that Clarion's residents live in a safe environment and we take our responsibility as a landlord extremely seriously. The impact of the Grenfell Tower tragedy last summer has, rightly, spread far and wide – raising many questions about the materials used in high rise buildings. Our strategic approach to fire safety was in place prior to the tragedy and our financial strength and the large scale at which we operate enabled us to quickly assemble a highly specialist technical team to accelerate the programme.

On Universal Credit, we were pleased to hear reforms announced which are designed to create a fairer system, with an easier transition and less risk of financial hardship for our residents claiming the benefit. We know, however, that this transition still remains difficult for many. We invest in a range of services to help residents manage their money and are aware there are some instances where Universal Credit payments are not reaching recipients in time, so have been discussing these with the Department for Work and Pensions to try to ensure the full roll out to our residents goes as smoothly as possible.

"This year we launched Clarion Futures, our charitable foundation and one of the largest social investment programmes in the country."

This year we launched Clarion Futures, our charitable foundation and one of the largest social investment programmes in the country. This will see us investing £150 million over 10 years to improve social mobility in our communities. Over the course of the year we have already helped 3,000 people into jobs and over 200 into apprenticeships, improving the quality of life of our residents and those living in our communities.

All of this represents the start of Clarion Housing Group. There is more to do. We live in uncertain times, faced with an unstable political environment, concerns about economic growth and with Brexit on the horizon. However, the ongoing housing crisis is a problem for today and one Clarion stands ready to tackle.

Neil Goulden
Group Chairman

Ruth Cooke
Group Chief Executive

12 July 2018

£119 million
Worth of improvements to our residents' homes

BOARD, EXECUTIVE DIRECTORS AND ADVISERS

Board

Neil Goulden
(Group Chairman)
(appointed Group Chairman 1 April 2017)

Sue Killen
(Vice Chair)
(appointed Vice Chair
1 April 2017)

Ruth Cooke
(Group Chief Executive)
(appointed 3 April 2018)

David Avery

Helen Bailey

Tania Brisby

John Coghlan
(appointed 6 July 2017)

Greg Reed
(appointed 6 July 2017)

Rupert Sebag-Montefiore
(appointed 6 July 2017)

Brian Stewart OBE

Simon Braid
(resigned 19 July 2017)

Keith Exford CBE
(Group Chief Executive)
(retired 6 April 2018)

Mark Rogers
(resigned 1 April 2017)

Colin Sturgeon
(resigned 12 September 2017)

Mark Washer
(Group Chief Financial Officer)
(resigned 15 June 2018)

Sir Robin Young
(Group Chairman)
(resigned 1 April 2017)

Executive Directors

Ruth Cooke
(appointed 3 April 2018)

Jonathan Cawthra

Neil McCall

Clare Miller

Austen Reid

Michelle Reynolds

Ian Woosey
(appointed 30 May 2018)

Keith Exford CBE
(retired 6 April 2018)

Kerry Kyriacou
(resigned 2 August 2017)

Mark Washer
(resigned 15 June 2018)

Company Secretary

Clare Miller

Principal Solicitors

Allen & Overy LLP
One Bishops Square
London
E1 6AD

Winckworth Sherwood LLP
Minerva House
5 Montague House
London
SE1 9BB

Devonshires Solicitors
London
30 Finsbury Circus
London
EC2M 7DT

Trowers & Hamlin LLP
3 Bunhill Row
London
EC1Y 8YZ

Anthony Collins Solicitors LLP
134 Edmund Street
Birmingham
B3 2ES

Bankers

NatWest Bank plc
143 High Street
Bromley
Kent
BR1 1JH

Auditors

KPMG LLP
15 Canada Square
London
E14 5GL

Registered Office

Level 6
6 More London Place
London
SE1 2DA

Our operating context

Even by recent standards, 2017/18 was a turbulent year in the political arena. The snap general election in June 2017 not only resulted in a hung parliament, but pushed back a number of long-expected government announcements on housing. The office of Housing Minister continued to have something of a revolving door, with Gavin Barwell losing his seat in the general election and being replaced by Alok Sharma, who was, in turn, succeeded by Dominic Raab in January 2018. After just seven months in post, Dominic Raab was then appointed Brexit Secretary and was replaced by Kit Malthouse – whose previous role in the Department for Work and Pensions also involved housing.

Housing need has not waned – in fact, the number of homeless families and individuals placed in temporary accommodation increased to 78,000 last year[1], representing a 60% rise since 2012[1]. There is an unprecedented need to build more homes.

The tragic fire at Grenfell Tower has already created a significant public and political shift towards ensuring the quality and maintenance of social and affordable housing, alongside an increased weight on tenant voices and rights. Clarion welcomed the publication of the Hackitt Review and its call for a radical rethink of the building regulation framework and how it is applied. As a responsible social landlord and developer, Clarion is committed to delivering quality homes that are safe for people to live in.

In the Autumn Budget, the Chancellor identified the need for 300,000 homes to be built each year. In addition, there were a number of other pertinent policy announcements:

- The Government committed to a future rent settlement for the sector of Consumer Prices Index +1% from 2020.
- £2 billion of additional grant for housing associations.
- Dropping plans to cap housing benefit in the social housing sector at Local Housing Allowance rates.

The Government backed an expansion of the institutional private rented sector as a way of bringing greater diversity to the UK housing market and Clarion too has carried out work over the year to see how it can best contribute to this segment, developing its own 'build to rent' strategy.

Uncertainty about Brexit continues to cause concern about the construction industry workforce. This is particularly so in London and the South East, where a higher percentage of the workforce are EU nationals. This makes resources such as Clarion's construction skills training centre in Tower Hamlets even more crucial.

Despite the election of new metro-mayors in Liverpool, Birmingham and Manchester, the devolution agenda, in particular fiscal devolution, has stalled somewhat. This means while housing remains a key priority for all metro-mayors, they are not yet able to make direct investment in the same way as the Mayor of London.

The Opposition continues to focus on housing, in particular the rights of tenants and renters, and regeneration. The Shadow Secretary for Housing, John Healey MP, ran a sizeable consultation exercise to identify new policy ideas on housing which were published in a housing green paper, 'Housing for the Many'.

At local government level, the results of the elections on 3 May 2018 did not change the political picture hugely in the areas in which Clarion operates, although there were wins for Labour in Tower Hamlets and Plymouth, with Mole Valley changing to No Overall Control and the Liberal Democrats taking South Cambridgeshire. Looking forward, the Greater London Authority's support for resident ballots on regeneration schemes are likely to increase the complexity of these.

1 The Homelessness Monitor: England 2018.

East City Point
Canning Town

78,000

"Housing need has not waned – in fact, the number of homeless families and individuals placed in temporary accommodation increased to 78,000 last year[1]."

Where we operate

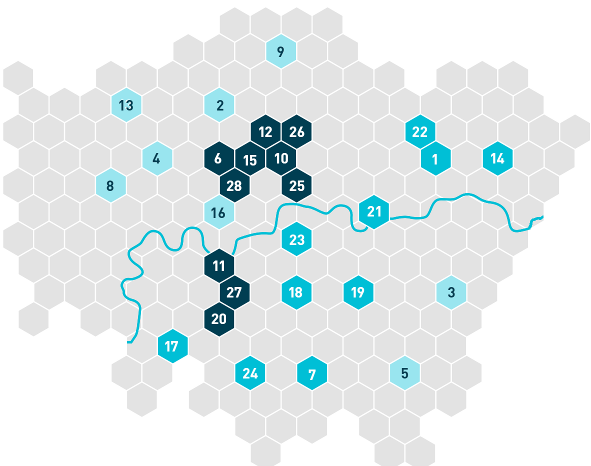
Clarion is a national organisational with homes across the country from Newcastle to Plymouth. It works across 176 local authorities and has 52 offices dispersed across the regions, meaning the business is able to provide a truly local service.

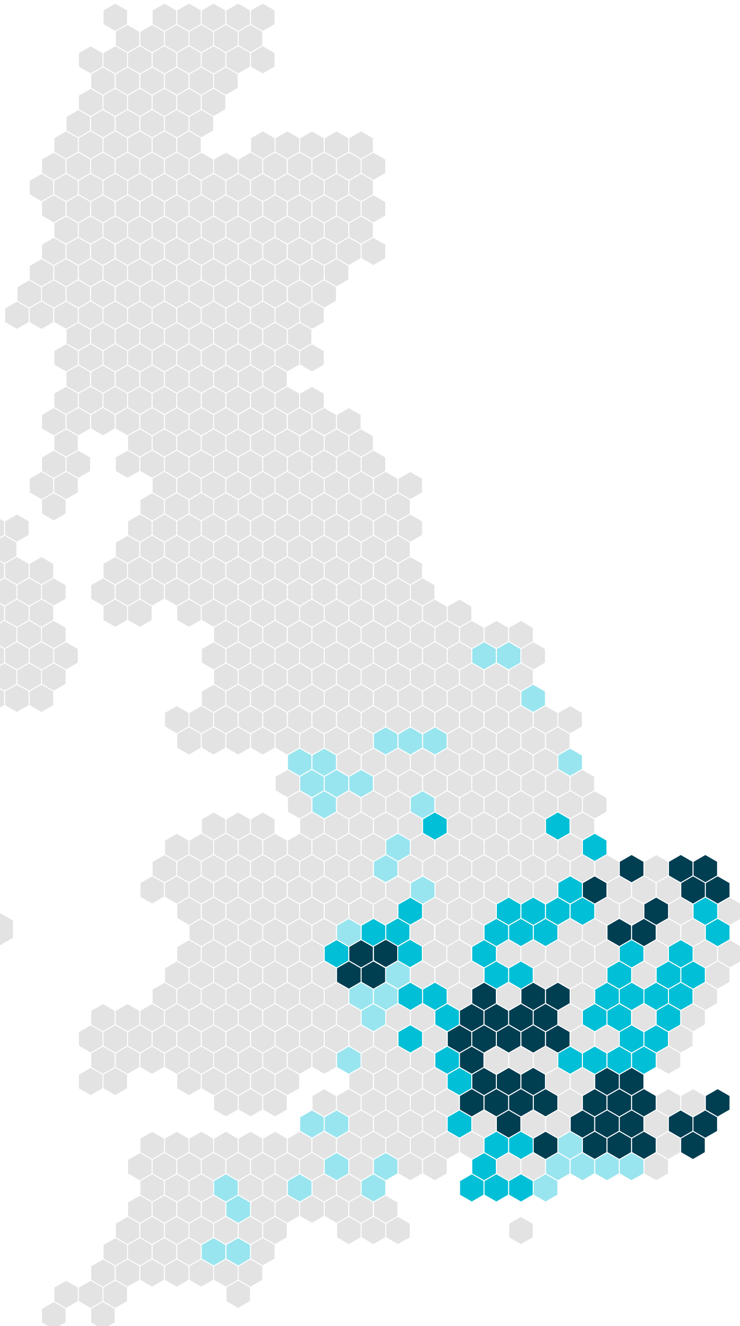
Percentage of homes in each area

Very low　Medium　Very high

London Boroughs

1. Barking & Dagenham
2. Barnet
3. Bexley
4. Brent
5. Bromley
6. Camden
7. Croydon
8. Ealing
9. Enfield
10. Hackney
11. Hammersmith & Fulham
12. Haringey
13. Harrow
14. Havering
15. Islington
16. Kensington & Chelsea
17. Kingston upon Thames
18. Lambeth
19. Lewisham
20. Merton
21. Newham
22. Redbridge
23. Southwark
24. Sutton
25. Tower Hamlets
26. Waltham Forest
27. Wandsworth
28. Westminster





Development highlights

Merton regeneration

London

We gained approval from Merton's Planning Committee for our £1 billion investment to transform three estates in the Borough and create new employment opportunities. The ambitious plans will deliver around 2,800 new homes – rehousing all existing residents and creating retail, leisure, office, work and community space. Building starts later this year.

Barne Barton regeneration

Plymouth

We have plans to invest £22 million to transform this former naval estate, originally built for the Ministry of Defence in the 1960s. Planning permission is due to be submitted shortly to build 228 new homes and create new green spaces, after extensive consultation with current residents.

Ebbsfleet Garden City

Kent

In a joint venture with Countryside Properties PLC we will deliver up to 2,600 new homes at Eastern Quarry, one of the UK's largest residential schemes at Ebbsfleet Garden City. This is in addition to the 500 new homes which are well underway at Castle Hill in Ebbsfleet Garden City.

Prince of Wales Drive

London

We have teamed up with St William – a joint venture between Berkeley Group and National Grid – to deliver 229 homes at the high profile Prince of Wales Drive regeneration in Nine Elms, Battersea.

Conningbrook Lakes

Kent

Following a successful land acquisition, we are working in partnership with Westerhill Homes to develop 300 new homes in Conningbrook Lakes, Ashford. Earlier this year, we launched the first phase of homes at the development, which are for market sale.

Abbey Wharf

London

We are delivering 135 new homes in Alperton, Brent after completing a land deal. Our partnership with Inland Partnerships will create 111 shared ownership homes, 24 homes for affordable rent and two commercial units on a former disused industrial site.

1.
Being the housing and service provider of choice

Strategic priorities

The challenge

Changing demographics and customer expectations are key challenges. It is essential Clarion provides a consistent standard of service for all its customers across the country, including a responsive repairs service. New ways of getting feedback from residents are also important.

Our KPIs

Overall customer satisfaction

80.0% +3.3%

2018 80.0%

2017 76.7%

(2018 target: 80.0%)

Overall customer satisfaction with repairs

88.0% +8.1%

2018 88.0%

2017 79.9%

(2018 target: 85.0%)

Repairs completed on time

92.2% -3.4%

2018 92.2%

2017 95.6%

(2018 target: 92.5%)

Properties meeting Decent Homes Standard

100.0% Equal

2018 100.0%

2017 100.0%

(2018 target: 100.0%)

Contact Centre calls answered within 30 seconds

82.8% +8.3%

2018 82.8%

2017 74.5%

(2018 target: 80.0%)

Providing exceptional service

Clarion continues to improve the standard of service it provides to residents and the conditions of the homes they live in. In 2017/18 Clarion achieved overall customer satisfaction of 80.0%, up from 76.7% in 2016/17. This was largely thanks to the enthusiasm and commitment of staff. The business aims to make further improvements over the coming year.

When residents contact Clarion, they want their call answered quickly and expect rapid action to resolve their issues. Operations continue to improve steadily in these areas. This year the Contact Centre handled over 1.5 million incoming customer calls and 82.8% of these were answered within 30 seconds. Complaint resolution times averaged 13 days for the year, down from 37 days in 2016/17. The level of rent arrears has fallen to 3.4%, from 3.5% last year, which represents a significant achievement considering the current economic climate and the pressure of welfare reform.

A unified service response team

Clarion's in-house repairs service exceeded its targets for the year, with customer satisfaction with last repair running at 88%, and a first-time fix achieved in 89% of cases. The department achieved a trading profit of £1.6 million – money which will be reinvested in the building of more new and much needed affordable homes.

In January 2018, the business combined its three internal repair providers to create Clarion Response, a unified team which delivers services to 70,000 households. Clarion Response has already been accredited with the Investors in People Silver Award and achieved a double gold for the RoSPA Occupational Health and Safety Awards.

Investing in existing properties

Maintaining its homes to a good standard is a core part of Clarion's responsibilities. In 2017/18 1,785 roofs, 2,610 kitchens and 2,262 bathrooms were refurbished. Over 2,880 heating systems were upgraded as well as 2,421 new doors and 801 new windows fitted across the country. Customer satisfaction for planned major works was 92%.

2,086 stock condition surveys were carried out over the year, exceeding the target of 2,000. Electrical testing was completed, along with any necessary upgrades, in over 24,600 properties.

An extensive piece of work has been started to identify the location and quality of Clarion Housing homes over the next 20 years. A new 'Clarion Homes' standard is being created so all Clarion homes across the country provide residents with the same good quality of living.

Ensuring the safety of our residents

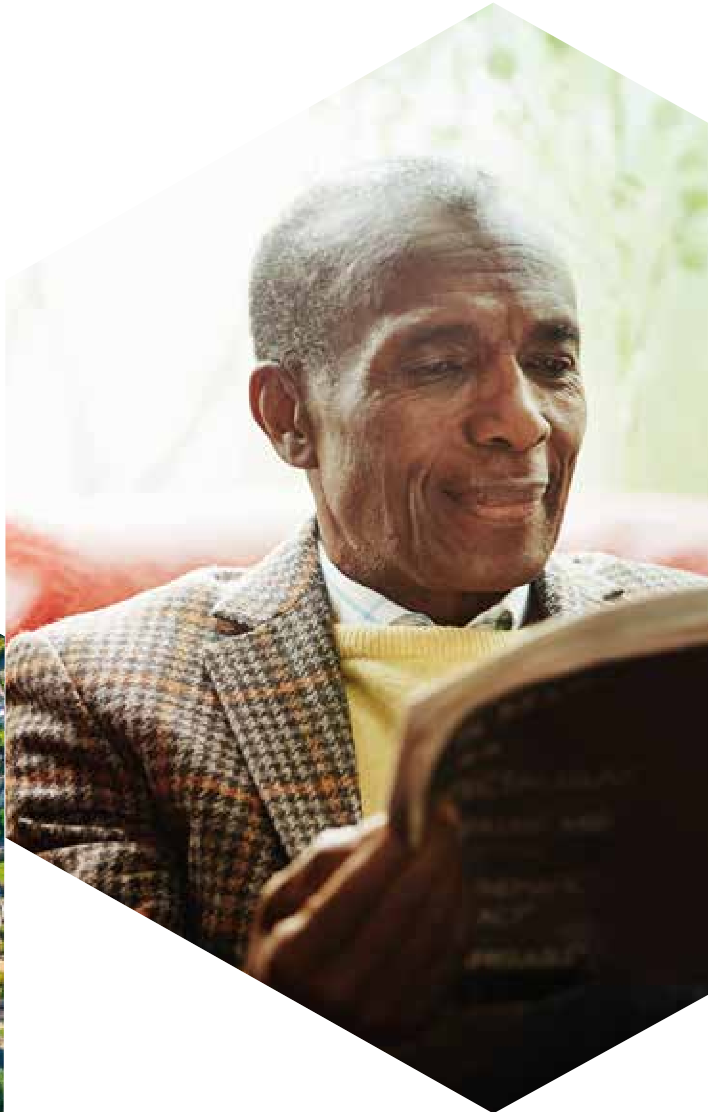
Following the Grenfell Tower tragedy, Clarion used its financial strength and large scale to accelerate the fire safety programme it had been working on since the inception of the new Group. The highly specialist technical team carried out thorough inspections on all 195 of Clarion's buildings of six storeys or higher and reviewed all cladding. The business recognised the absolute importance of providing reassurance to our residents during this time, including issuing very specific fire safety advice.

In the last 12 months Clarion has created new fire safety standards for future developments and completed over 40,000 fire risk remedial actions across its housing stock.

Care and support

Centra, the Group's care and support arm, maintained good financial control throughout the year, generating net funds of £1.1 million, while delivering a good service to its customers who require specialist housing management.

Pulse and Connect, Centra's telecare service, also performed well, increasing tender activity. The service handled a total of 3,984,627 calls, with over 22,000 of these resulting in emergency calls to the fire, police or ambulance services.



2.
Building new homes and sustainable communities

Strategic priorities

Clarion's ambition is to build 50,000 new homes over 10 years. It will also deliver one of the country's largest social investment programmes: supporting thousands of people into work or training; helping residents manage their money and improve their digital skills; improving neighbourhoods; and helping young people get a better start in life.

The challenge

Accessing land at the right price, which is then subject to regulations and planning consents, as well as maintaining construction quality when the industry is short of materials and skilled labour. Managing construction costs and other supply chain pressures is also a continuing challenge. For Clarion's residents, increasing living costs and welfare reforms are having a far-reaching impact.

Our KPIs

Total new home starts
1,428 -23%
2018 1,428
2017 1,863

Affordable home completions
1,038 -14%
2018 1,038
2017 1,206
(2018 target: 1,123)

Total home completions
1,263 -6%
2018 1,263
2017 1,340
(2018 target: 1,328)

Total sales volume
549 +6%
2018 549
2017 516
(2018 target: 522)

Sales income
£125.3m +15%
2018 £125.3m
2017 £108.7m
(2018 target: £98.2m)

Social value of community investment
£96m +13%
2018 £96m
2017 £85m

Number of people helped into employment
3,035 +74%
2018 3,035
2017 1,745
(2018 target: 3,000)

Creating homes and communities that improve lives

During the year Clarion completed construction of 1,263 new homes of which 1,038 were affordable and social homes. It also started to build a further 1,428 new homes. These numbers are a reflection of the Group's pre-merger schemes and are set to increase during 2018/19. This year it met and exceeded its targets on affordable homes for the Greater London Authority (GLA) and Homes England, both of which have indicated they will increase the level of grants available for the development of rented social housing. Clarion is now a Strategic Partner with the GLA and is working closely with Homes England.

Accelerating our build programme

Clarion's development programme has shifted up a gear this year. Its approved development pipeline has grown to circa 14,000 homes nationally, reflecting the Group's commitment to helping fix the broken housing market. Over 10 years it plans to invest £13 billion in new homes with £2.6 billion set aside for estate regeneration. Spend on new homes grew from £292 million last year to £426 million this year, and the business is set to exceed £700 million in 2018/19.

Clarion has established a joint venture with Countryside Properties PLC to build up to 2,600 homes in Ebbsfleet Garden City, on top of the 500 it is already building in the area. The regeneration of three estates in Merton received outline planning consent and forms a major part of the Group's commitment to improving its existing estates. It has also made significant progress in addressing legacy defects in projects including Orchard Village in Rainham, where all works are on target to complete by August 2018.

The business has been expanding its regional, commercial and technical, sales and regeneration teams, and now has 195 people in the division, up from 113 at merger. The development team produced regional strategies in line with the overarching New Homes Development Strategy, which was approved by the Group Board in January 2018. The schemes will be delivered through a multi-channel approach including direct contract, joint venture and package arrangements. The team is also looking at how to provide a blend of tenures in order to maximise absorption.

Working for better futures

In addition to building new homes, Clarion makes significant social investments as part of its remit to create sustainable communities. In October 2017, this aspect of its activities officially became 'Clarion Futures', the charitable foundation of Clarion Housing Group. Clarion Futures will deliver £150 million in investment in our communities over the next 10 years.

The Clarion Futures team has enjoyed a strong year, exceeding the majority of its targets and making a positive difference to the lives of thousands of people. This year, it helped 3,035 people find employment and 218 people start apprenticeships. It is also the lead delivery partner for Love London Working, a voluntary employment programme which has helped nearly 3,000 people into work, 70% of them black, Asian and minority ethnic (BAME) Londoners, and more than 55% women.

Clarion Futures helps residents manage their money more effectively, through guidance on budgeting, providing access to high quality debt advice and affordable loans and helping people to manage their use of energy. Last year these services helped save residents a total of £7.5 million.

Across Clarion Futures, its interventions equated to £96 million in social value in the last year, putting it on track to deliver £1 billion in social value over the next decade. Targets for next year are to help 4,000 people find work; to provide 16,000 money guidance support interventions; to save over £8 million for residents through financial guidance; to deliver 10,000 interventions to help people get online; and to achieve 3,000 positive outcomes for young people.

3.
Maintaining long-term financial resilience

Strategic priorities	Clarion's priority is maintaining long-term financial resilience so it can continue to provide homes to those in housing need for another 100 years. This means maintaining and protecting its financial strength and improving efficiency while providing customers with the best possible service.
The challenge	Operating in an increasingly challenging economic environment and the continuing uncertainty of Brexit. Maintaining our rental income throughout a period of change as benefit reforms are introduced.

Our KPIs

Current rent arrears as a % of rent debit (social housing)

3.4% -0.1%

2018	3.4%
2017	3.5%

(2018 target: 4%)

Rent loss due to voids (social housing)

£8.7m -£1.1m

2018	£8.7m
2017	£9.8m

(2018 target: £9.8m)

Occupancy rates

98.5% +0.1%

2018	98.5%
2017	98.4%

(2018 target: 98.5%)

Ensuring stability and financial health

Once again this year, Clarion has met all of its Financial Golden Rules for the Group – which reflect and underpin its purpose. They ensure solid long-term financial performance, and this financial stability gives Clarion the capacity to achieve its housebuilding and community improvement ambitions for the coming decades.

Maintaining our rental income

Rental income is the main revenue stream for Clarion and maintaining a low arrears level of 3.4% is a very positive achievement, especially given the impact of welfare reforms, changing the way in which people are paid the housing costs element of their benefit. This has reduced from 3.5% in 2016/17 and is thanks to a cross-department effort by the Group's welfare benefits team, collections team and Clarion Futures.

Occupancy rates remained very high at 98.5%. Rent loss due to voids decreased by £1.1 million from the year before, to £8.7 million.

Creating the strategic vision

During the year Clarion accelerated the strategic planning that was a core aim of the merger business plan.

The Group Board approved an overarching asset strategy – a key part of the long-term vision – after a detailed review of current housing stock which has evolved through a series of mergers. This asset strategy, which is aligned with our development strategy, is the start of an extensive piece of work to define the location and quality of Clarion homes in the next 20 years. It will optimise assets through investment and regeneration or, where it makes sense for customers and the Group, transfer properties to another social, charitable landlord. It will enable the Group to improve services to customers and as a not-for-profit organisation we will reinvest funds from these transfers to meet our target of building 50,000 new homes over 10 years; retaining as many homes as we can in social rented ownership.

It also approved a 'build to rent' strategy which is targeting the creation of 3,000 new homes in five years, in growth areas across London, the South East, the West Midlands and Greater Manchester.

During the year, Clarion created a long-term financial plan and submitted this to the Regulator. The Group made its regulatory return submissions accurately and on time and conducted stress testing to ensure it continues to be a resilient business.

Implementing wide ranging improvements

Now that the core strategies which underpinned the merger business case are in place, Clarion can move on to the implementation phase. This will include completing work on the Clarion Standard, which will determine how the business measures the performance of its assets over the next 20 plus years, underpinning the importance Clarion places on investing in its homes and providing good quality accommodation. The business also intends to launch the private rented sector management platform and rationalise its existing private rented sector portfolio.

In the coming year Clarion plans to increase its development pipeline and increase commercial activity in Latimer, Clarion's private development company, to assist in the funding and provision of more new affordable housing.

Integrating the Group with powerful new business tools

A core aspect of Clarion's strategy is to improve systems and reporting, in particular focusing on key risks to the development programme. This will be accelerated by the ongoing commitment to a business change programme which includes the implementation of an enterprise resource planning (ERP) platform.

This is a four year change programme and phase 1a has recently been delivered. The next phase will launch in 2019. Once this exercise is complete, the entire organisation will be working in the same way, with the same system, and absolute integration will be complete.

Becoming more efficient

One of the priorities of Clarion at its inception was simplifying the complex legacy structures that existed within Circle Housing Group. On 1 March 2018 the Group completed the consolidation of its asset owning subsidiary landlords, just 15 months after the merger. Clarion Housing Association, which is responsible for services to all of the Group's residents, became the sole landlord in the Group, replacing the 10 housing associations that previously existed. The much simplified structure will ensure better and more effective decision making.

Financial Golden Rules

We continue to operate within a very robust set of Financial Golden Rules. These internally set measures provide a prudential framework for both assessing our historical performance and planning our future strategy. As well as ensuring solid long-term financial performance, they are there to protect our social housing assets from the risks associated with commercial activity.

Under the Financial Golden Rules investment into development activity will not exceed 20% of Housing Association revenue reserves. The Financial Golden Rules will also ensure development activities are able to withstand significant market shocks, for example reductions in house prices or land values.

Our Financial Golden Rules are all being met across our long-term financial plan. More information on how the Group performed against its key financial performance indicators can be read on page 35.

4.
Being a great place to work

Strategic priorities	Being an employer of choice, attracting, retaining and developing people who are committed and able to achieve organisational, and personal success, by focusing on customer needs.
The challenge	The sector is undergoing a huge amount of change which will only continue. This means Clarion needs a dynamic workforce with an increasing breadth and depth of skills and experience.

Creating a Clarion culture

Creating one culture, with positive values and buy-in from staff, is vital to a successful merger. This year Clarion has come together as one team, working towards the same objectives, and putting customer focus at the heart of everything it does.

Clarion has created a vision for how it provides exceptional services – The Clarion Way. It gives a clear guide for how it provides services and added value for its residents. The Clarion Way Steering Group has ensured each directorate is focused on creating a meaningful action plan, and has enabled the message to be spread throughout the organisation. The Clarion Way is rapidly becoming established in how Clarion operates and interacts internally, with residents and other stakeholders.

Encouraging learning and development for all

To maintain and improve standards during the transition phase, Clarion developed training which targets the specific needs of the organisation. In January 2017, it implemented a Group-wide induction programme which includes an event hosted by the Group Chief Executive and other executive members. This has been invaluable for new staff, equipping them with an in-depth understanding of our business right from the start.

Clarion has also introduced a mandatory induction programme for new managers. Around 40 managers have completed the 26 week programme so far, achieving a 100% pass rate. In May 2017 Clarion launched a single Learning Management System to manage the process of inductions, certificated learning and other key programmes. It gives all staff access to a range of training, so they can take ownership of their learning and development to build the skills they need in their role.

Clarion apprenticeships enhance the skills of our people

Clarion has made good use of the new Apprenticeship Standards, providing targeted development programmes for both new and existing staff to enhance skills and knowledge for around 80 people in areas such as housing management, surveying, community investment and repairs, and allowed the business to recoup £85,000 from the Apprenticeship Levy.

Leadership development

Together with Ashridge Executive Education, Clarion has implemented two higher level apprenticeship programmes at Degree and Masters levels to develop and grow its strategic leadership capability. 40 existing managers and leaders are now progressing with these programmes. Clarion has also provided a new accredited management development programme to help build a healthy talent pool for our next generation of frontline managers. So far, around 70 aspiring managers having successfully completed the programme. These investments will help Clarion to build a stronger business, and attract and retain high quality staff in the future.

Staff survey

An integral part of delivering great service to customers is being a great employer. In 2018 Clarion will be partnering with The Happiness Index to find out from employees what it is like to work for the organisation. The survey results will give a good understanding of what is going well and where improvements can be made.

5.
Building a successful, respected and influential business

Strategic priority	Clarion's priority is to promote the contribution it makes to the communities where it operates. Clarion will work with government, partners and organisations who share its view, to promote a professional, customer-focused housing sector.

Influencing opinions and policy
Clarion works hard to ensure it can influence the debate on the future of housing and the direction of government policies. It draws on its experience and expertise, and its close knowledge of what matters most to its customers, to steer and inform policy-making.

This year, Clarion submitted 31 evidence-based responses to consultations on a wide variety of topics run by central and local government and the Regulator. Clarion actively aims to improve decision making across the sector, through sharing its practical learning, continuing to use and promote the Housing Associations' Charitable Trust (HACT) Social Values. Having applied these values to measure the impact of regeneration on residents' wellbeing, Clarion discussed the concept with MPs, the Town and County Planning Association, the National Housing Federation and Public Health England at a House of Commons Sustainable Housing Roundtable.

Together with Network Homes and L&Q, Clarion has established a commission to consider how the housing association sector will evolve over the next 10 years. The commission's findings, 'Building Homes, Building Trust', launched at the Chartered Institute of Housing's annual conference.

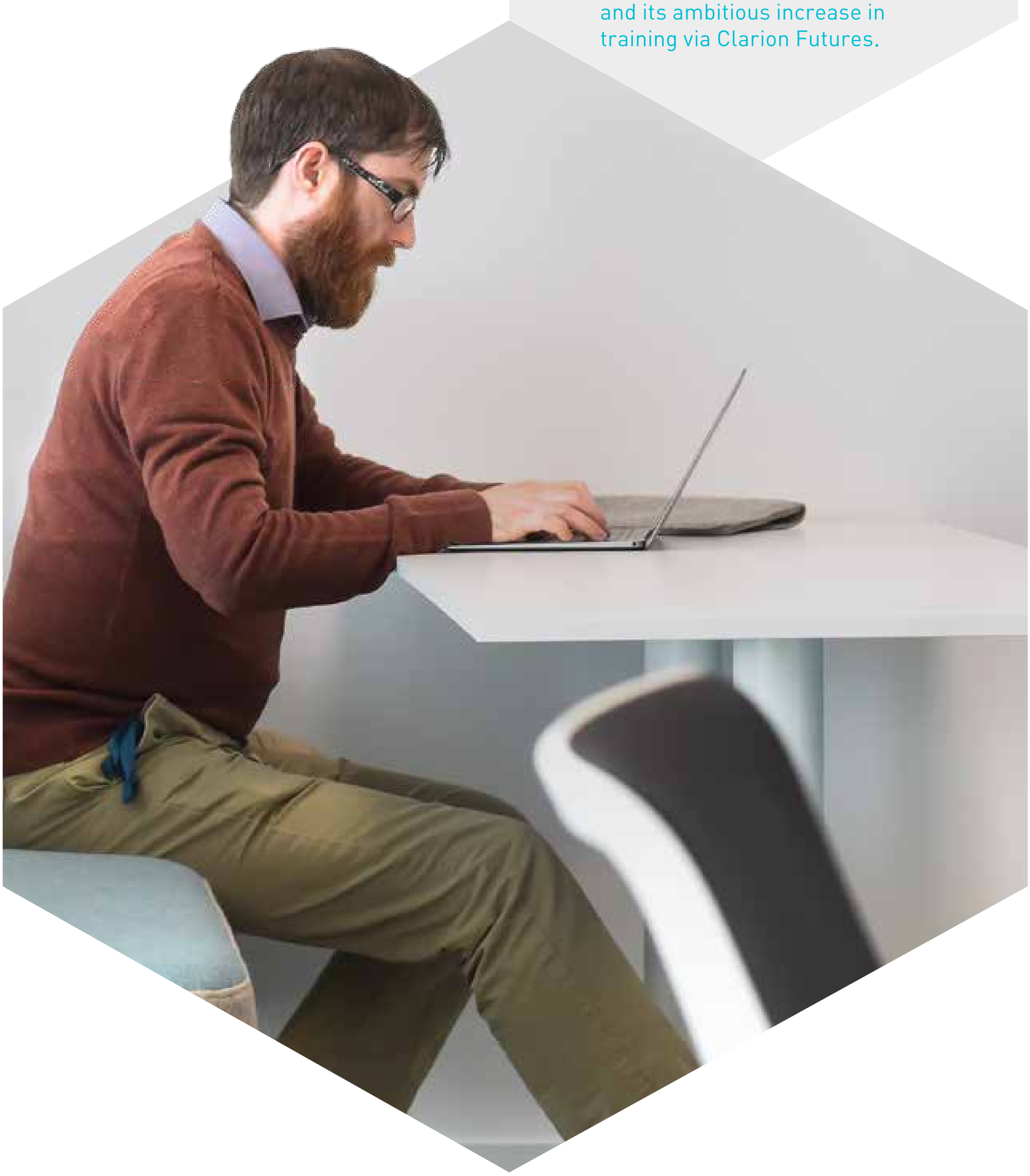
Research into current issues
Ways to improve the quality of the expanding private rented sector is a critical current area of inquiry. In January 2018, Clarion launched a report called 'Understanding what social landlords can offer private tenants'. The paper's findings were cited in related research by the London School of Economics (LSE) – 'Private Renting: Can social landlords help?'. This documented the contribution of social landlords, local authorities and others to making the private rented sector work better for all concerned.

Clarion's Group Director of Commercial Services, Michelle Reynolds, presented Clarion's emerging vision for mid-market 'build to rent' homes at an LSE roundtable attended by officials from the Ministry of Housing, Communities and Local Government and the Department for Work and Pensions.

Providing advice and feedback
Clarion continues to be seen as a trusted research partner – working directly with other housing associations, academics and thinktanks across the political spectrum. The newly formed UK Collaborative Centre for Housing Evidence (CaCHE) is using Clarion and RUSH (Research Users in Social Housing – a network of housing association research professionals founded by Clarion) as a sounding board on the state of the overall housing sector. Clarion shares CaCHE's aim of improving housing policy and practice through better use of evidence and is engaging to help it allocate its £6.1 million research funding, contributing to its practical understanding of social housing.

No. 10 roundtable

In May 2018, Clarion's Group Chief Executive, Ruth Cooke, attended a Downing Street construction skills roundtable with the Prime Minister's then special adviser on housing, Jamie Cowling. Ruth highlighted Clarion's strong track record on employment and skills and its ambitious increase in training via Clarion Futures.



A new CSR strategy to guide the organisation

As a newly merged organisation Clarion felt it important to articulate its commitment to Corporate Social Responsibility (CSR) as part of its business goals. The business set key objectives to shape how it cares for people, communities and the environment. Clarion will provide:

- a place to call home that is warm, comfortable and affordable;
- a range of possibilities for breaking out of the cycle of disadvantage;
- a social purpose that commits to leaving communities better than we found them; and
- a celebration of our past, using our founding principles to build a brighter future.

These principles guide its actions and determine the kind of projects it will pursue. Clarion will invest only in sustainable projects that add value.

Darel Bryan Foundation – adopted as Clarion's official charity

In 2017, Clarion adopted the Darel Bryan Foundation as its corporate charity until 2020, to help raise funds for brain tumour research. Darel was a Clarion housing officer who died tragically of a brain tumour at the age of only 34. Brain tumours kill more people under 40 than any other cancer, yet just 1% of national spending on cancer research has been allocated to this devastating disease.

The Foundation was created by his family to raise money to fund research. The organisation was nominated to be Clarion Charity of the Year by his colleagues in Clarion's Bromley office, and was a hugely popular choice among our staff, who have now raised over £35,000. Clarion has matched this figure, so the Foundation has received £70,000, with more fundraising events planned for the future.

Celebrating Black History Month

Clarion staff were involved in a wide range of events to mark Black History Month, including blog posts, poetry events, world food days and exhibitions of African art. Clarion also participated in a BAME networking event involving representatives from a range of different housing groups.

Taking Pride

Clarion staff and residents were at Pride events in Brighton, Norwich, Manchester and London in solidarity against homophobia, biphobia and transphobia. It has continued its partnership with the Albert Kennedy Trust, providing a property at peppercorn rent for its Purple Door Project – a refuge for young LGBTQ people who have fled domestic abuse.

In association with the University of Surrey, Goldsmiths and HouseProud, Clarion Housing Group spearheaded the largest research study of its kind to understand LGBTQ experiences of social housing. The findings will enable housing associations to adopt a new standard, or 'Pledge Card', as a commitment to improved standards.

Sustainability

This year, Clarion created a new sustainability strategy covering the whole of the Group and its approach to environmental sustainability. Over the next five years it will focus on: improving the least efficient homes of our stock; ensuring new builds meet new sustainability standards; reducing fuel poverty; increasing the use of hybrid/electric vehicles; helping employees to be active participants in 'green' living; and reducing direct carbon emissions and non-recyclable waste from its operations.

Clarion's core sustainability objectives are closely linked to its overall aims to develop sustainable and affordable homes; to promote biodiversity, green living and working; and to enable the health and wellbeing of its communities.

Taking Pride

Clarion staff and residents were at Pride events in Brighton, Norwich, Manchester and London in solidarity against homophobia, biphobia and transphobia.

Strong financial performance

Overview

In the first full financial year since merger, Clarion Housing Group increased its operating surplus by £15 million (5%) to £305 million, delivering a headline operating margin of 37% (2017: 36%). This is a strong financial performance. As well as higher turnover (2018: £829 million; 2017: £796 million), both one-off and underlying operating costs were lower than the previous year – in total operating costs came in at £479 million (2017: £495 million).

We continued to grow the development pipeline and increased investment in existing homes. During the year we invested £439 million, 2.8 times our surplus (2017: £318 million, 1.8 times) in new and existing social housing assets (Figure 1) and maintained our Debt to Turnover ratio at 3.9, lower than our Financial Golden Rule's maximum benchmark of 4.5.

In line with expectations, the net surplus of £157 million was £16 million lower than the previous year. This is primarily due to significant gains from the revaluation of investment property (£17 million) and surpluses achieved from the sale of the Group's German market rent portfolio (£6 million) in the prior year.

With a strong underlying financial performance and having attained the highest regulatory judgement for viability (V1) from the Regulator of Social Housing, the Group has established a robust platform from which to deliver its objectives.

2015/16 was the first year in which the Group prepared its accounts under Financial Reporting Standard 102 (FRS 102), having previously reported under UK Generally Accepted Accounting Policies (UK GAAP). Figures reported for 2014/15 onwards are presented under FRS 102 but older years are as originally reported (with the exception that operating surplus now includes disposal of properties).

All figures presented are the combined position of the Affinity Sutton and Circle Housing Groups.

£439m

Total investment in social housing, which was 2.8 times our surplus

"We have continued steady growth in our development pipeline and increased investment in existing homes."

Table 1: Summary of the Group's Statement of Comprehensive Income

	2017/18 £m Group	2016/17 £m Group
Turnover	829	796
Cost of sales	(74)	(48)
Operating costs	(479)	(495)
Surplus on disposal of properties	29	37
Operating surplus	305	290
Gain on revaluation of investment properties	2	17
Surplus on disposal of operations	–	7
Share of (deficit)/surplus of jointly controlled entities (JCEs) and associates	(1)	6
Net interest and other financial income	(144)	(140)
Movement in fair value of financial instruments	(3)	(4)
Other	(2)	(3)
Surplus for the year	157	173

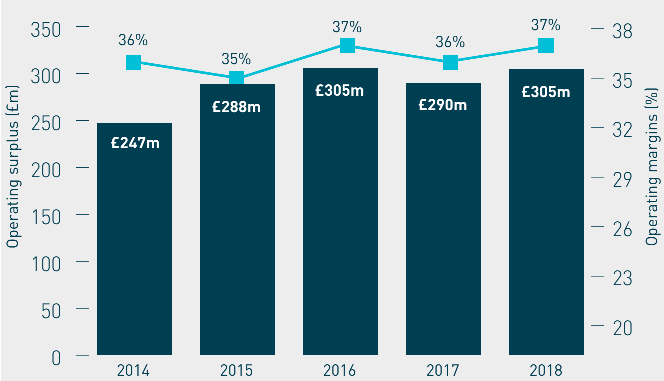
Statement of Comprehensive Income (Table 1)

1. Operating surplus

At 37%, we achieved a 1% increase in our full year operating margin compared with the previous financial year and are back in line with the higher margin level achieved pre-merger in 2015/16 (Figure 2). Operating surplus at £305 million is 23% higher than that achieved in 2014 and £18 million (6%) higher than our five year combined average. The key drivers of the rise in operating margin were a £33 million (4%) increase in turnover coupled with a £16 million (3%) reduction in operating costs. These were partially offset by an increase in cost of sales and a reduction in surpluses generated from property sales (£26 million increase and £8 million reduction, respectively).

Figure 1: Surplus vs investment in social housing

Figure 2: Operating margin and operating surplus over five years



1.1 Turnover (Figure 3)

£26 million of the £33 million increase in turnover relates to sales, with the remaining £7 million generated through the core business.

Open market sales have seen an £18 million increase in proceeds, the result of a 74% increase in sales volumes (106 units, 2017: 61 units) reflecting prevailing market conditions and demand.

At £55 million, proceeds from first tranche sales have increased by £3 million (6%) on the prior year. 410 units were sold this year at an average sales price per unit of £134,000, 8% higher than 2017.

During the year we generated £7 million of income through fixed price contracts for development activity undertaken on behalf of other landlords, a £5 million increase on 2017.

Core rental income increased £9 million on the prior year to £606 million. This is the combined effect of an increase in unit numbers from both social and affordable homes and a reduction in void loss which more than compensates for the continued impact of the Government imposed 1% rent reduction.

1.2 Operating costs (Figure 4)

At £479 million, operating costs were £16 million (3%) lower than the prior year resulting in an operating cost per unit (OCU) of £4,432 (2017: £4,623). This is mostly due to one-off costs linked to merger (including impairment), less reliance on agency staff and lower spend on day to day repairs.

There were also some further one-off costs and operational business challenges in the year, particularly in light of the Grenfell Tower tragedy, in response to which the Group put in place a specialist fire safety team and rapidly mobilised its contractors to deliver a thorough programme of fire and electrical testing. Other one-off costs included those related to the consolidation of our landlord and repairs entities which will provide future operational and financial efficiencies.

Excluding one-off costs in both years, underlying operating costs reduced by £4 million (1%) resulting in an OCU of £4,189 versus £4,266 in the prior year and a target of £4,296 representing an underspend against target of £107 (2%).

Figure 3: Movement in turnover during 2017/18 (£m)

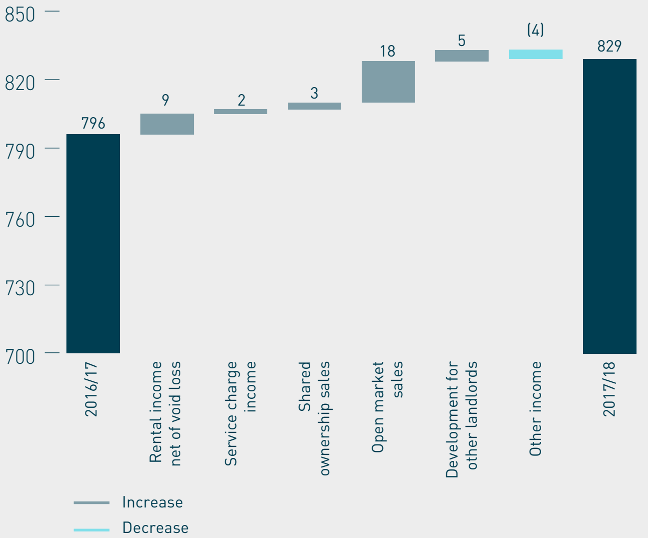
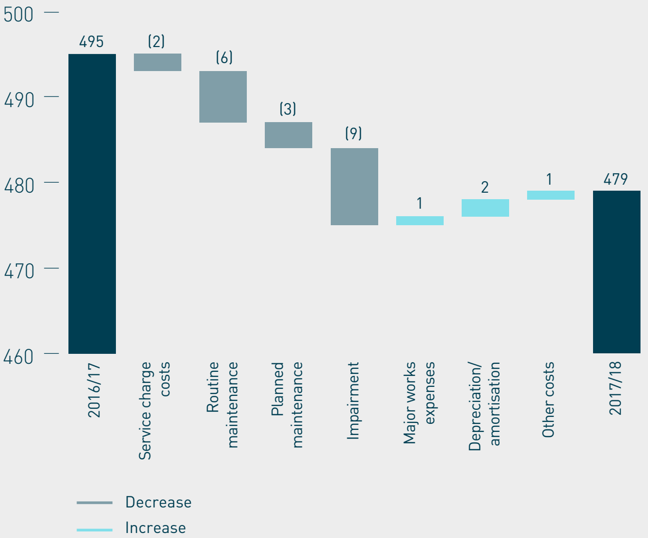


Figure 4: Movement in operating costs during 2017/18 (£m)



1.3 Surplus on disposal of properties

At £29 million the surplus on sales was down £8 million versus the prior year. Over half of this reduction is explained by the one-off sale of 120 market rent properties in 2016/17 which generated a surplus of £5 million. The remainder relates to a reduction in surpluses generated on subsequent shared ownership staircasing sales and other asset disposals.

Whilst a reduction, this is still significant additional subsidy for building new affordable homes to replace the reducing level of government grants.

2. Gain on revaluation of investment properties

Due to their popular locations within London and East Anglia, where there is a good demand for properties for sale and rent, the majority of our market rent portfolio has continued to increase in value during 2017/18 with a further gain of £5 million, although this was partially offset by a reduction in the market value of one scheme in South-East London.

In terms of the remaining portfolio, our commercial units saw a £2 million increase driven by our Chelsea stock whilst the units held by our leasehold management company saw a £1 million reduction following a change in the year end assumptions.

3. Share of (deficit)/surplus of JCEAs

Our share of joint venture results has seen a reduction on the prior year as we come to the end of two joint venture arrangements with Mount Anvil: 261 City Road Developments LLP ('City Road') and 72 Farm Lane Developments LLP ('Farm Lane'). During the year the freehold and final commercial unit at City Road completed (2017: 18 units sold). No further sales were seen at Farm Lane (2017: 9 units and the freehold sold).

4. Net interest and other financial income

At £144 million, net interest increased by £4 million on the prior year. This is the combined effect of accounting adjustments applied to debt in order to convert it to an effective interest rate (as required under FRS 102), an increase in our drawn debt balance and LIBOR rates, partially offset by a reduction in fees and charges as the Group faces fewer one-off costs in the year following merger.

Statement of Financial Position (Table 2)

Our Statement of Financial Position metrics remain strong with net assets increased by £209 million (16%) to £1,519 million. The increase is primarily explained by a £288 million increase in tangible fixed assets, a £22 million increase in other intangibles and a £92 million increase in stock, partially offset by a £193 million increase in creditors due in over one year.

Table 2: Summary of the Group's Statement of Financial Position

	2017/18 £m Group	2016/17 £m Group
Tangible fixed assets	**7,069**	6,781
Net current assets	**475**	382
Creditors due in over one year	**(6,102)**	(5,909)
Other	**77**	56
Total net assets	**1,519**	1,310
Income and expenditure account	**1,856**	1,705
Cash flow hedge and other reserves	**(337)**	(395)
Total capital and reserves	**1,519**	1,310

5. *Tangible fixed assets*
During 2017/18 we spent £426 million on new homes (2017: £292 million), including £320 million on new social housing (2017: £243 million). A further £3,320 million is committed at the year end (2017: £1,186 million), including £647 million of contractual commitments (2017: £696 million). This reflects our continued progress towards the Group's ambition of delivering 50,000 homes over 10 years with circa 14,000 homes in the development pipeline at the year end.

In addition to the above, we invested a further £119 million (2017: £75 million) in our existing homes. The increased investment in 2017/18 included works carried forward from the prior financial year and those relating to the acceleration of our fire safety programme.

Our total investment in social housing was £439 million (2017: £318 million) which was 2.8 times our surplus (2017: 1.8 times our surplus) as illustrated in Figure 1.

6. *Other intangible assets*
Other intangible assets increased by £22 million in the year. This was primarily driven by continued investment in our ERP platform, the first phase of which launched in April 2018.

7. *Creditors due in over one year*
The investment in tangible and other intangible assets has been funded by a mixture of cash generated from operations and debt, with bank loans and bonds due in over one year increased by £276 million. Gearing at 46.4% remains comfortably lower than our financial covenant target of less than 70%.

The increase in long-term debt was partially offset by a reduction in the fair value of our derivative financial liabilities to 31 March 2018, bringing the total increase in creditors due in over one year to £193 million.

"The Group has established a robust platform from which to deliver its objectives."

Table 3: Key Group Financial Indicators

	Financial Golden Rules								
	Clarion Group			Housing Association			Latimer		
	Actual	Target/ budget	Status	Actual	Target/ budget	Status	Actual	Target/ budget	Status
EBITDA MRI cash interest cover[1]	1.61	>1.5	✓	1.53	>1.5	✓	1.59	>1.5	✓
Operating margin[2]	33.3%	>30%	✓	35.4%	>35%	✓			
Net debt to full year turnover incl. JVs	3.89	<4.5	✓						
Sales as a percentage of turnover	14.7%	<40%	✓						
Social housing interest cover				1.67	>1.3	✓			
Housing Association investment in Latimer[3]				14.8%	<20%	✓			
Maximum development for sale work in progress							£164m	<£600m	✓
Value at Risk coverage[4]							7.25	>1.5	✓

1 Measures the ratio of earnings before interest, tax, depreciation/amortisation, grant amortisation, surplus on existing property sales and major repairs investment against net interest paid.
2 Excludes sales of existing property.
3 Measures the Housing Association's equity or debt invested in Latimer as a proportion of Housing Association revenue reserves.
4 Measures the impact of a 35% fall in house prices against Latimer's equity and reserves.

Key Group Financial Indicators (Table 3)

Table 3 highlights the Group's performance against its Financial Golden Rules. These rules are an internal measure and create a framework for maintaining financial resilience and credit strength while allowing the Group to realise its objectives. They recognise the differing parts of Clarion Housing Group and isolate the risks of its commercial business (in particular from a sudden downturn in the housing market) from our core social housing activity which we seek to protect against adverse shocks and market movements.

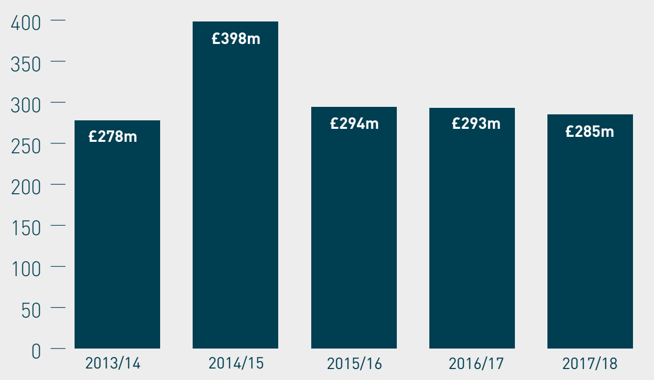
The Group remains compliant with all its Financial Golden Rules. We have been able to utilise our financial strength and accelerate our fire safety programme and still maintain Housing Association EBITDA MRI cash and overall interest cover above target.

Our private sales exposure is managed by ensuring that our work in progress balance does not exceed £600 million; that development sales do not exceed 40% of turnover; that the Housing Association's investment in Latimer does not exceed 20% of its revenue reserves; and that Latimer has at least £1.50 of equity and revenue reserves for every £1.00 it could potentially lose if house prices fell by 35% (the 'Value at Risk' ratio). All rules have comfortably been met in the year.

Cash generation from operations is a critically important measure since it provides an indication of the Group's ability to meet underlying obligations of its properties without recourse to debt finance and without reliance on existing property sales. Positive cash generation provides vital support for the Group's investment in social housing, including the development of new homes, while keeping debt levels within acceptable limits.

As shown in Figure 5, cash generated from operations remains high. At £285 million it far exceeds our investment in existing social homes (£119 million) and provides a significant contribution to our investment in new homes. As a result, at a multiple of 3.9 times, our net debt to full year turnover Financial Golden Rule remains comfortably within its 4.5 threshold.

Figure 5: Cash generated from operations (£m)



Maintaining long-term capacity

The Group's capital resources come from three main sources – its retained income and expenditure reserves, capital grant and debt funding.

As at 31 March, the Group had £4.02 billion of committed debt funding (2017: £4.10 billion), with drawn funding totalling £3.55 billion (2017: £3.29 billion). The increase in drawn funding was driven by the planned increase in housing capital expenditure with the balance of funding requirement being met by cash generated from operations. All undrawn funding is committed and is available at very short notice.

The Group continues to maintain a diversified loan portfolio from a number of funding sources. During the period the Group established a secured Euro Medium Term Note programme to ensure that it benefits from efficient access to the capital markets. A further issuance under the programme was successfully completed in April 2018 raising £250 million.

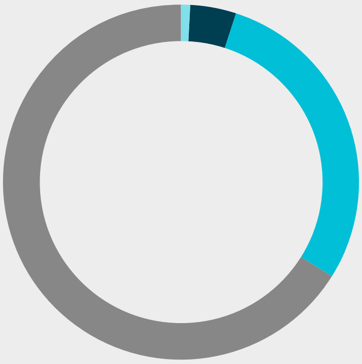
As at 31 March 33% of committed funding was from the capital markets and 66% from bi-lateral loans with nine banks and building societies (see Figures 1 and 2).

The Group has limited refinancing risk in the next five years with over two thirds of the Group's debt maturing after 10 years (see Figure 3). As at 31 March, the Group maintained total liquidity of £636 million, represented by £169 million of available cash and £467 million of committed undrawn revolving credit facilities (see Figure 4).

The Group continues to be risk averse in its approach to interest rate management. Borrowing related to cash in hand is held at floating rates of interest, which is consistent with the interest profile of the Group's cash investments. The Group targets a flexible policy of hedging 80% to 100% of its net debt with predominantly fixed rate instruments, with flexibility to depart from these parameters if circumstances make this more appropriate. At the year end the portfolio was 85% fixed rate and 15% floating rate (see Figure 5). The Group maintains its desired interest rate profile through a mixture of embedded instruments (including fixed rate bank loans).

The Group's capital expenditure plans will continue to be funded by the strong levels of cash generated from core landlord activities, supplemented predominantly by further debt funding. The overall level of debt funding is constrained by the Group Financial Golden Rules, which ensure that the Group has sufficient debt service capacity under a broad range of adverse scenarios.

Figure 1: Committed facility mix

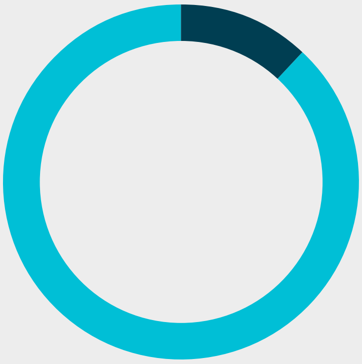


Bond – private placement	4%	Bank	66%
Bond – public	29%	Other	1%

Figure 4: Liquidity

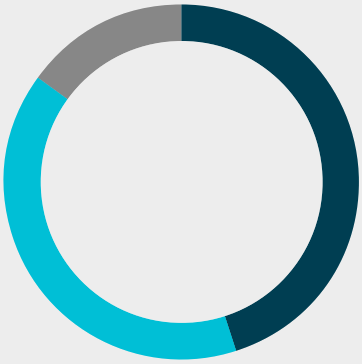
Cash	27%
Committed undrawn	73%

Figure 2: Total committed funding



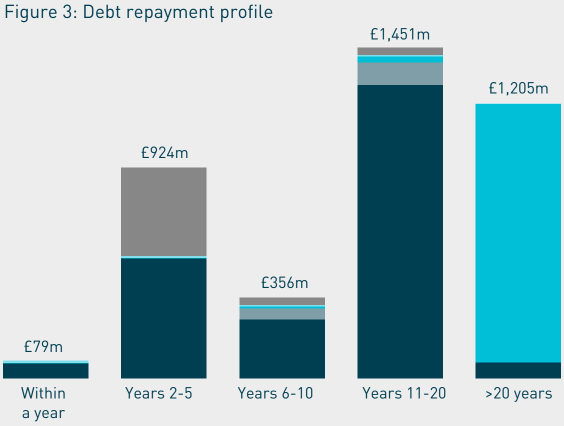
Undrawn debt	12%
Drawn debt	88%

Figure 5: Hedging activity



Fixed through loan documents	45%
Fixed through free-standing contracts	40%
Floating (net of cash)	15%

Figure 3: Debt repayment profile



Bank debt
Private placement
Bond debt
Other
Undrawn bank debt

Driving economies of scale

At Clarion we are committed to providing the best possible services for our residents while ensuring we continue to provide value for money. Every penny of our surplus and more is reinvested in our core business activities, which provides the incentive for the business to be as cost effective as possible. This year specific efficiency initiatives across the Group resulted in savings of more than £16 million. Many of these directly benefit our residents by maximising their take-up of benefits and reducing poverty.

At Clarion we maintain a year on year focus to keep operating costs under control and to forecast no real growth in underlying costs. Our headline social housing cost per unit was £4,510 in the year ended 31 March 2018. We have set a target to reduce our operating costs by 12% in real terms by 2021. Much of this will come from efficiencies in working practices as we integrate the business post merger. Our transformational change programme will also deliver real savings as we move increasingly to a streamlined digital offering for our residents.

We run our business on commercial lines, with a keen eye on efficiency effectiveness and delivering value for money, and clear distinction between commercial and chartable activity. It is because of this that we are able to channel so much of the money we make into delivering social benefits for the communities in which we operate.

The work we have produced with HACT to develop a set of financial values which can be attributed to particular interventions is increasingly being adopted by other landlords in the sector. In 2017/18 we achieved a social benefit of £96 million, a significant increase from £85 million in the previous year, reflecting our emphasis on this work post merger.

Clarion's investment has a significant direct impact on improving the lives of our residents and their communities. Post merger the Board agreed to prioritise an increase in our spending on communities from just under £7 million of our own resources growing to £10 million this year and continuing at that level. This will enable the Group to offer a comprehensive service for all our residents wherever they live.

An important element of our community investment programme is our employment service. We believe that finding our residents work is the best route we can offer to financial independence and reduced dependency on welfare. Over the last year we have also been the lead agent for a group of housing associations that have rolled out employment services across London with funding from the GLA and the European Social Fund. This year the service helped a record 3,000 people to find work. In addition to this, we also achieved another record by providing over 200 apprenticeships, helping those young people to learn vital work skills.

Our charitable foundation, Clarion Futures, has prioritised future investment in young people who are residents and the children of residents. Over the next few years we expect to be helping 15,000 young people annually to fulfil their potential through apprenticeships, training support and bursaries.

The Group continues to prioritise financial inclusion work and debt advice services, which are more in demand than ever. Helping our residents to access affordable loans saved an estimated £16 million in reduced payments and debt write-offs.

We have also continued to invest in welfare advice services for our residents, helping them to claim benefits which they are entitled to. This work alone has benefitted our residents by securing an extra £7 million in income they would otherwise have forgone.

New homes

Clarion aims to be a developer of homes at a significant scale. Over the last year we have built 1,263 new homes across a range of tenures. Central to our development programme is ensuring we are able to focus on those who are failed by the market. Those homes were developed with just 4.4% of public subsidy. Supporting a programme of this scale has required us to undertake commercial activities to generate returns to fill the gap left by shrinking public funds.

This year's financial surplus of £157 million should be seen in the context of the £439 million long-term investment we made in social housing over the last 12 months. We invested £320 million into the construction of new social housing properties. More than twice our annual surplus was applied to our core social housing activity through a programme of planned improvements, as well as the development of new social housing.

Procurement

The Group maintains a savings register which is independently verified and lists all savings achieved through procurement. We strive to consistently realise savings in procurement on a year on year basis, delivering value through both tender processes and contract management.

Procuring long-term suppliers to deliver better core services has been a focus of our work since merger. This has involved the bringing together of differently legacy arrangements to deliver consistent services across our homes. Total savings achieved in 2017/18 which offer significant levels of savings in future years stand at £7.8 million compared with existing costs. Procurement aims to ensure value for money, which is achieved at the awarding of contracts and extends to strategic delivery. We expect to deliver additional value from the tender process as well as ongoing contract management.

Clarion Housing Group – Sector Scorecard

	2017/18	2016/17
Operating margin (excluding disposals)	**33.3%**	31.7%
Operating margin (social housing lettings)	**36.2%**	34.5%
Interest cover – EBITDA MRI	**152.1%**	173.3%
New supply delivered: absolute (social and non-social)	**1,263**	1,340
New supply percentage (social and non-social)	**1.07%**	1.14%
Gearing	**50.4%**	48.7%
Customer satisfaction	**80.0%**	76.7%
Reinvestment	**8.0%**	5.4%
Investment in communities	**£10.8m**	£7.9m
Return on capital employed	**4.0%**	4.0%
Occupancy	**98.5%**	98.4%
Ratio of responsive repairs to planned maintenance	**63.6%**	84.7%
Headline social housing cost per unit	**£4,510**	£4,371
Management cost per unit	**£750**	£758
Service charge cost per unit	**£530**	£558
Maintenance cost per unit	**£1,558**	£1,657
Major repairs cost per unit	**£229**	£225
Capitalised major repairs cost per unit	**£1,089**	£696
Other social housing costs cost per unit	**£355**	£478
Rent collected	**99.8%**	99.8%
Overheads as a percentage of adjusted turnover	**10.5%**	11.8%

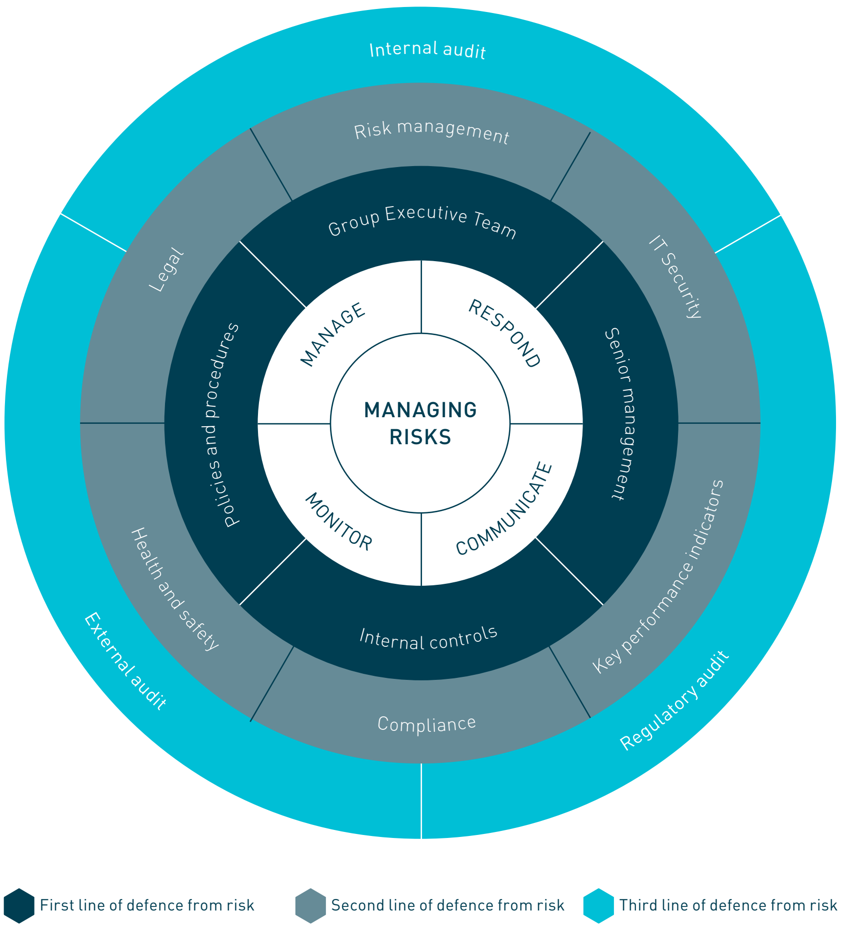
A number of the above measures are as defined by the Regulator of Social Housing and so may not agree to our own internal measures or financial covenants quoted elsewhere in the report.

Risk management in delivering our strategic ambitions

Successful risk management is fundamental to the achievement of our strategic objectives. We are a business that manages long-term assets as a landlord performing its own management across the board, and direct repairs services for the majority of the homes we own.

We seek a sustainable long-term return to enable us to fulfil our charitable objectives of helping those who cannot meet their housing needs in the market place. We focus on the management of risks facing our business which might otherwise frustrate our strategic goals and threaten the Group's financial strength to deliver new homes and invest in our existing homes.

Risk management framework
The Group Board has overall responsibility for risk management with a particular focus on the degree and type of risk it is prepared to take in achieving its overall objectives. This is set within the context of the rapidly changing external environment in which housing associations are operating, subject to policy change and market change which can have a fundamental impact on our business. The Board determines our appetite for, and tolerance of, risk.



	Risk description	Impact	Mitigation	Change in year
1	*Failure to improve services*	• Reputational impact • Customer service fails to meet regulatory requirements • Loss of customer confidence • Impact on our regulatory standing	• Dedicated resources devoted to improving core services • Active involvement of Group Executive Team and Board in resolution • Suite of reporting metrics focused on rectification • Business continuity arrangements	The risks apparent last year have reduced as we have implemented our performance improvement plan. However, there is more to do to tackle the legacy of underinvestment in the former Circle homes and to complete our programme of fire safety improvements.
2	*Failure to comply with health and safety regulations*	• Serious incident involving death or injury • Criminal and/or civil proceedings	• Regular Board reporting • Dedicated specialist personnel • Fire improvement plan • Routine compliance testing and checking	Our compliance check performance has improved, with the exception of one area, where we have replaced a contractor. The focus on fire safety has increased and a dedicated programme of remedial work is in place to tackle issues.
3	*Failure to deliver new homes in line with our agreed development strategy*	• Adverse operational and financial impact • Negative reputational impact	• Investment strategy agreed • Over 14,000 homes approved since merger • Skilled and competent team recruited	Progressing in line with agreed plans.
4	*Massive financial shock*	• Increased cost of funds • Lack of available debt • Increased counterparty risk • Hedging arrangements ineffective	• Market scanning and stress testing undertaken • Investor relationship management • Specialist Treasury Committee and advice for Board	Stable.

Key

No change

Reduced risk

Increased risk

Strategic Report

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

	Risk description	Impact	Mitigation	Change in year
5	*Failure to deliver transformational change*	• Increased cost base • Failure to deliver customer expectations • Inability to use customer intelligence	• Specialist team and contractors • Dedicated business involvement • Audit and Risk Committee oversight • Regular gateway checks	Stable. We have gone live on the first phase of our systems and aim to be rolling out the second phase in 2019.
6	*Failure to achieve efficiencies*	• Increased cost base • Costs higher than competitors • Inability to deliver value for money	• Simplification of corporate structures • Team and corporate savings targets • Board ownership and oversight	Stable.
7	*Succession*	• Change leads to instability • Loss of skills and knowledge • Capacity of the business to absorb change	• Remuneration and Nominations Committee oversight • Specialist advisers • Long-term planning and talent management	Stable.
8	*IT security and cyber attack threat*	• Loss of customer confidence • Loss of stakeholder confidence • Loss of income	• Security review • Routine penetration testing • Staff training • Audit and Risk Committee oversight	Heightened risk generally in the market.

Key

No change

Reduced risk

Increased risk

The Audit and Risk Committee oversees the effectiveness of the assurance arrangements, systems and processes adopted by the Group to manage risk. The Committee also provides specialist advice to the Board on particular risks and whether they would threaten the delivery of our objectives or undermine the financial strength of the business. The Group Executive Team is responsible for the delivery of the Group's strategy and managing risk, having day to day responsibility for operational performance and the management of risk within the business.

Effective risk management relies on the engagement of all parts of the business. This approach is an integral part of the way we work. Teams at all levels know and understand their contribution to risk management and they maintain risk registers which are reviewed regularly, allowing for their escalation within the business for consideration as appropriate.

Once risks have been identified their impact and probability are determined and scored before mitigation (gross) and after (net). A risk scoring methodology is used to ensure a consistent approach is taken to assessing any potential impact and likelihood.

Risk appetite

Our risk appetite is determined by the Board and is influenced by the actions we are or are not prepared to take in furthering our strategic goals. The most significant judgements affect our assessment of return for the risk we take in investing in particular property schemes, our asset strategy and reinvestment priorities, our customer offer, our obligations under regulation and legislation and our financial stability. We have a low level of appetite for risk which would impact our record on regulatory compliance, health and safety record, and reputational damage. We have a higher level of appetite for new business and opportunities, and growth.

We regularly monitor our effectiveness in managing risk through key performance indicators to ensure we remain within the appetite levels determined by the Board. This ensures that our exposure to particular risks is informed by changes in the external environment, taking swift and appropriate action to maintain an overall approach which does not adversely affect our ability to deliver our strategic ambitions.

Risk focus this year

The Board considers the business is well placed to manage the risks it faces. We have made significant steps in improving the service standard and mitigating the attendant risks. However, these improvements have been offset by further risks emerging, particularly from the programme of work undertaken as a result of the tragedy at Grenfell Tower. The Board is of the view that the business has a solid asset base and operationally is resilient in the longer term. The inherent financial strength of the Group has meant we have been able to resource the recovery of the service. We were delighted that the Regulator awarded us the highest compliant grades for governance and financial viability following their in-depth assessment.

A central business priority is to continue to provide much needed new homes and we understand the financial strength required to withstand the risk of building at scale. Our investment appraisal methodology means we are careful about the projects we select and we are demanding of the financial return. We firmly believe we are temporary custodians of a charity which will still be delivering homes and services for many years to come. We aim to leave the organisation in at least as strong a position as we inherited it.

Experience and expertise to deliver

Neil Goulden
Chairman of Group Board
First appointed: July 2010

Neil was appointed Chairman of Clarion Housing Group in April 2017. Prior to that he had been chairman of the Affinity Sutton Board since joining in 2010 and became Deputy Chairman of the Clarion Shadow Board on merger.

In addition to his role at Clarion Housing Group, he is pro chancellor and chairman of governors at Nottingham Trent University and a government appointed member of the Horserace Betting Levy Board. He is also vice chairman of Ambitious About Autism and chairs the Finance Committee for Sue Ryder. In the commercial world, Neil is a senior independent director on the Board of Marstons plc and chairman of Jackpotjoy plc. He also sat on the Low Pay Commission for eight years until 2015.

G R

Sue Killen
Chair of Clarion Futures Board and Vice Chair of Group Board
First appointed: April 2012

Until recently Sue was the chief executive of St John Ambulance (SJA). Before joining SJA in September 2007 she was a director general at the Department for Transport. Previous government roles include leading work to tackle drug abuse and practical preparations for the single currency. She also worked on the privatisation of a number of major companies.

From September 2006 to June 2007 Sue led an independent review of children and young people's palliative care. She has been a board member of Addaction, the national treatment agency, and FYF, which supports the rural poor in Southern Africa and India.

F R

John Coghlan
Chairman of Audit and Risk Committee
First appointed: July 2017

John is a chartered accountant and has a valuable background in financial and general management across a variety of sectors. Currently John is also chairman of the Audit Committee at Severn Trent plc, a director of Associated British Ports and chairman of its Audit Committee, and chairman of the Freight Transport Association Ireland.

Previously, John was a director of Exel plc for 11 years to 2006, where he was Deputy Chief Executive and Group Finance Director.

A

David Avery
Chairman of the Clarion Housing Association Board
First appointed: October 2015

David has over 10 years' experience serving on housing association boards with more than six years as chairman. He was appointed Chairman of the Clarion Housing Association Board in May 2017.

Previously, David has held a variety of executive and management roles. He was most recently President of European Operations for Novellus Systems Inc, a Fortune 500 company. David has also been a governor of an independent school in West Sussex and a non-executive director of an NHS Trust.

H A

Rupert Sebag-Montefiore
Chairman of Latimer
First appointed: July 2017

Rupert is Chairman of Latimer Developments Limited. Rupert retired from Savills plc in 2017 where he was on the main board, followed by the group executive board, for 21 years. Rupert is chairman of Prime Purchase Limited, a trustee of Salisbury Arts Theatre and the Orchestra of the Age of Enlightenment, and a member of the Investment Committees of Winchester College and Christ Church, Oxford.

L

1. Accounting policies continued

HomeBuy grants
Under the HomeBuy scheme, the Group received grants in order to advance interest-free loans to homebuyers. In the event that the homeowner sells the property, or otherwise wishes to repay the loan, the related grant is transferred to the Recycled Capital Grant Fund. However, if there is a fall in the value of the property and the Group receives back less then it lent, the difference is offset against the amount of grant transferred, so that the Group does not incur a loss.

Recycled Capital Grant Fund ("RCGF") and Disposal Proceeds Fund ("DPF")
The Group has the option to recycle social housing property grants - which would otherwise be repayable to either Homes England ("HE") or the Greater London Authority ("GLA"), depending on the location of the disposed property - to the RCGF. Likewise, it has the opportunity to recycle proceeds from sales under the Voluntary Purchase Grant Scheme, a substantial amount of which would otherwise be repayable, to the DPF. If the amounts set aside in this manner are not used to fund the development of new social housing within a three- year period, they again become repayable, with interest, unless a time extension or a waiver is received.

The amounts held within the funds which are not anticipated to be recycled, or become repayable, within one year are included under 'creditors due after more than one year'. The remainder is included under 'creditors due within one year'.

As a result of changes made by the Housing and Planning Act 2016, from 6 April 2017 the Group is no longer required to recycle any further proceeds to the DPF.

Non-derivative financial instruments
The Group applies the recognition and measurement provisions of IFRS 9 Financial Instruments, as allowed by FRS 102.

All investments, short-term deposits and loans held by the Group are initially measured at fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs. The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price.

Where contractual cash flows meet the recognition requirements of IFRS 9, investments, short-term deposits and loans are subsequently measured at amortised cost, unless the difference between the historical cost and amortised cost basis is deemed immaterial. Amortised cost is calculated using the effective interest method which applies a rate of interest that exactly discounts estimated future cash payments or receipts (including any associated premium, discount or transaction costs) through the expected life of the financial instruments to the net carrying amount of the financial asset or liability. The current rate of LIBOR at the reporting date is used and assumed to be constant for the life of the loan. Loans and investments that are payable or receivable in one year are not discounted.

Where contractual cash flows do not meet the recognition requirements of IFRS 9, loans, investments and short-term deposits are subsequently measured at fair value with gains or losses taken to the Income Statement.

Where loans and other financial instruments are redeemed during the year, a redemption penalty is recognised in the Income Statement of the year in which the redemption takes place, where applicable.

Tenant and other debtors and creditors are initially recognised at the transaction price, unless the arrangement constitutes a financing transaction and does not qualify for treatment as a concessionary loan, in which case the present value of the future receipts discounted at a market rate of interest is used.

Cash and cash equivalents include cash balances and call deposits, as well as short-term investments with an original maturity of three months or shorter. It also includes those overdrafts which are repayable on demand and form an integral part of the Group's cash management strategy.

Derivative financial instruments and hedge accounting
To manage interest rate risk, the Group manages its proportion of fixed to variable rate borrowings within approved limits and, where appropriate, utilises interest rate swap agreements. Amounts payable and receivable in respect of these agreements are recognised as adjustments to interest payable over the period of the agreement.

These derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Where considered appropriate, the Group applies hedge accounting and has designated each of the swaps against either existing drawn debt or against highly probable future debt. Hedges are classified as either:

a. fair value hedges when hedging exposure to changes in the fair value of a recognised asset or liability; or

b. cash flow hedges when hedging exposure to variability in cash flows that is attributable to either a particular risk associated with a recognised asset or liability or a highly probable forecast transaction.

Hedge relationships are formally designated and documented at inception, together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the Group will assess the hedging instrument effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

4b. Particulars of income and expenditure from social housing lettings

Group	General needs housing £m	Supported housing/ housing for older people £m	Shared ownership accommodation £m	Other £m	**Total 2018 £m**	Total 2017 £m
Income						
Rent receivable net of identifiable service charges	523.5	44.4	26.3	11.6	**605.8**	596.9
Service charge income	20.7	11.3	7.4	12.1	**51.5**	49.1
Amortisation of government grants	20.3	1.8	1.3	0.4	**23.8**	22.8
Other revenue grants/income	0.4	0.1	0.1	-	**0.6**	1.1
Turnover from social housing lettings	**564.9**	**57.6**	**35.1**	**24.1**	**681.7**	669.9
Expenditure						
Management	(61.9)	(14.5)	(1.5)	(3.8)	**(81.7)**	(81.8)
Service charge costs	(23.7)	(13.4)	(8.0)	(12.6)	**(57.7)**	(60.2)
Routine maintenance	(109.6)	(9.1)	(0.3)	(2.8)	**(121.8)**	(127.7)
Planned maintenance	(46.0)	(1.4)	(0.3)	(0.2)	**(47.9)**	(51.2)
Major works expensed	(23.3)	(1.3)	(0.2)	(0.1)	**(24.9)**	(24.3)
Bad debts	(3.8)	(0.3)	-	(1.1)	**(5.2)**	(4.5)
Depreciation of housing properties	(86.2)	(6.1)	-	(0.9)	**(93.2)**	(88.3)
Impairment of housing properties	(0.7)	-	-	-	**(0.7)**	-
Other costs	(0.5)	(0.1)	(0.1)	(1.2)	**(1.9)**	(0.8)
Operating costs on social housing lettings	**(355.7)**	**(46.2)**	**(10.4)**	**(22.7)**	**(435.0)**	(438.8)
Operating surplus on social housing lettings	**209.2**	**11.4**	**24.7**	**1.4**	**246.7**	231.1
Void losses	**5.4**	**2.3**	**0.2**	**0.8**	**8.7**	9.8

Other includes intermediate rent, keyworker, and social leaseholders.

The amounts for 2017 have been restated to separate out "major works expensed", which was previously included in "planned maintenance".

£nil (2017: £0.1 million) of depreciation relating to garages is included in note 4a.

Void losses represent rental income lost as a result of an available-for-letting property not being let.

5. Employees

The average monthly number of full-time equivalents ("FTEs") employed during the year, including members of the Group Executive Team, was as follows:

	Group		Parent	
	2018 Number	2017 Number	2018 Number	2017 Number
FTEs	**3,527**	3,544	**742**	1,209

FTEs are based on a standard working week, which varies between 35 and 42 hours, but is 36 hours for most employees, including most of the Parent's. The reduction in the Parent's FTEs from the prior year is due to the intragroup transfer of employees to Clarion Housing Association Limited which took place in the prior year.

	Group		Parent	
	2018 £m	2017 £m	2018 £m	2017 £m
Staff costs				
Wages and salaries	**128.0**	123.8	**28.1**	42.5
Compensation for loss of office	**1.7**	7.3	**0.3**	5.1
Social security costs	**12.8**	12.4	**3.0**	4.4
Pension costs	**9.4**	8.3	**1.6**	3.0
	151.9	151.8	**33.0**	55.0

A number of subsidiaries employ some of their staff directly; the remaining employees are employed by the Parent and their costs recharged (see note 35). As stated above, most of the staff previously employed by the Parent are now employed by Clarion Housing Association Limited.

The number of employees, including Executive Directors, whose total remuneration (excluding employer pension contributions, or pay in lieu thereof, but including compensation for loss of office) exceeds £60,000 per annum is as follows:

	Group 2018 Number	2017 Number
£60,000 to £69,999	57	67
£70,000 to £79,999	42	48
£80,000 to £89,999	48	41
£90,000 to £99,999	16	10
£100,000 to £109,999	5	19
£110,000 to £119,999	3	11
£120,000 to £129,999	8	4
£130,000 to £139,999	4	1
£140,000 to £149,999	5	1
£150,000 to £159,999	1	2
£160,000 to £169,999	-	2
£170,000 to £179,999	1	-
£180,000 to £189,999	-	1
£190,000 to £199,999	2	2
£200,000 to £209,999	1	-
£220,000 to £229,999	1	2
£230,000 to £239,999	-	1
£240,000 to £249,999	-	2
£250,000 to £259,999	1	-
£260,000 to £269,999	1	-
£300,000 to £309,999	-	1
£370,000 to £379,999	-	1
£390,000 to £399,999	1	-
Total	**197**	216

6. Key management personnel

The Directors are defined as members of the Board, and any other person who is a member of the Group Executive Team.

	2018 £'000	2017 £'000
Non-Executive Directors	313	261
Executive Directors		
Salary and other benefits	1,819	2,568
Compensation for loss of office	229	171
Pension contributions, or pay in lieu thereof, in respect of services as directors	160	247
	2,208	2,986
	2,521	3,247

	2018 £	2017 £
The remuneration of current Non-Executive Directors is as follows:		
Neil Goulden	45,000	35,500
Sue Killen	34,000	14,333
David Avery	33,457	16,300
Helen Bailey	22,500	10,625
Tania Brisby	23,000	18,227
John Coghlan	16,558	-
Greg Reed	13,246	-
Rupert Sebag-Montefiore	33,115	-
Brian Stewart OBE	23,000	19,547

	2018 £	2017 £
Remuneration of highest paid Director (excluding pension contributions, or pay in lieu thereof but including benefits in kind)	397,576	376,199
Pension contributions, or pay in lieu thereof, in respect of the highest paid Director	16,908	14,548

The Directors are considered the key management personnel for the purposes of FRS 102.

7. Interest receivable

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Interest receivable on bank deposits	1.1	1.1	0.3	0.6
Interest receivable from Group undertakings	-	-	3.0	6.1
Interest receivable from participating interests	1.9	2.0	-	-
Other interest receivable	-	2.0	-	-
	3.0	5.1	3.3	6.7

8. Interest payable and financing costs

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Interest payable on loans	35.6	30.4	-	-
Interest payable on bonds and similar instruments	73.2	73.2	-	-
Interest payable on derivatives	44.2	42.1	-	-
Interest payable on finance leases	0.5	0.5	-	-
Interest payable to Group undertakings	-	-	4.7	3.8
Interest payable relating to pensions (see notes 27 and 28)	2.1	2.2	-	0.2
Other interest payable	-	0.4	-	-
Loan breakage costs	-	0.2	-	-
Other charges	3.3	6.9	0.3	1.5
	158.9	155.9	5.0	5.5
Interest payable capitalised	(11.7)	(11.0)	-	-
	147.2	144.9	5.0	5.5

The Group's weighted average interest rate for general borrowings was 3.84% (2017: 4.44%).

Interest payable on the Group's private placements is now included in "bonds and similar instruments", and the 2017 figures have been restated to move the £5.0 million interest charge on these instruments from "loans".

9. Movement in fair value of financial instruments

Group

	2018 £m	2017 £m
Included in income and expenditure		
Fair value gains on		
Borrowings treated as fair value hedging item	2.3	-
Derivatives treated as fair value hedging instruments	-	3.4
Derivatives not in hedging relationships	-	0.4
	2.3	3.8
Fair value losses on		
Borrowings treated as fair value hedging item	-	(4.6)
Derivatives treated as fair value hedging instruments	(3.3)	-
Derivatives treated as cash flow hedging instruments - due to changes in credit risk	(0.4)	(2.8)
Derivatives not in hedging relationships	(1.1)	-
	(4.8)	(7.4)
	(2.5)	(3.6)

	2018 £m	2017 £m
Included in other comprehensive income		
Fair value gains on		
Derivatives treated as cash flow hedging instruments - effective	58.9	-
Fair value losses on		
Derivatives treated as cash flow hedging instruments - effective	-	(9.2)
	58.9	(9.2)

See note 26 for an explanation of the Group's hedging activities.

10. Surplus/deficit on ordinary activities before taxation

	Group		Parent	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Surplus/deficit on ordinary activities before taxation is stated after charging/ (crediting):				
Amortisation				
Goodwill	**1.4**	0.3	**-**	-
Other intangible assets	**3.3**	6.8	**2.9**	6.5
	4.7	7.1	**2.9**	6.5
Depreciation				
Social housing properties	**93.2**	88.4	**-**	-
Non-housing fixed assets	**6.8**	7.0	**5.2**	5.1
	100.0	95.4	**5.2**	5.1
Impairment: charge/(reversal)				
Other intangible assets	**-**	13.8	**-**	13.8
Social housing properties	**0.7**	-	**-**	-
Other fixed asset investments	**-**	(4.4)	**-**	-
	0.7	9.4	**-**	13.8
Operating lease rentals	**7.2**	7.3	**5.5**	5.3

	2018 £m	2017 £m	**2018 £m**	2017 £m
Auditor's remuneration (exclusive of VAT)				
- for statutory audit services	**0.4**	0.4	**0.1**	-
- for other services	**0.1**	0.3	**-**	0.2
	0.5	0.7	**0.1**	0.2

11. Taxation

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Analysis of charge in period				
Current tax:				
Current tax on income for the period	**1.0**	0.3	**-**	0.1
Adjustment in respect of prior periods	**-**	(0.1)	**-**	-
	1.0	0.2	**-**	0.1
Deferred tax:				
Change in tax rate	**-**	(0.2)	**-**	-
Adjustments in respect of prior periods	**-**	4.2	**-**	2.7
	-	4.0	**-**	2.7
	1.0	4.2	**-**	2.8
Recognised in income and expenditure	**0.9**	2.7	**-**	1.3
Recognised in other comprehensive income	**0.1**	1.5	**-**	1.5
	1.0	4.2	**-**	2.8

The tax charge for the Group for the period is less than 19% (2017: less than 20%), the rate of corporation tax in the UK. The tax charge for the Parent for the period is greater than 19% (2017: greater than 20%), the rate of corporation tax in the UK. The differences are explained below:

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Reconciliation of tax recognised in income and expenditure				
Surplus/(deficit) on ordinary activities before taxation	**157.5**	176.0	**(1.3)**	1.3
Tax charge/(credit) at 19% (2017: 20%)	**29.9**	35.2	**(0.2)**	0.3
Effects of:				
Charitable surpluses not taxed	**(29.0)**	(31.7)	**0.2**	(0.7)
Other Group members not subject to UK corporation tax	**-**	0.2	**-**	-
Depreciation in excess of capital allowances	**-**	(3.7)	**-**	(3.7)
Deferred tax asset not recognised on losses carried forward	**-**	6.9	**-**	5.2
Adjustment in respect of prior periods	**-**	(0.1)	**-**	-
Deferred tax transfer to income and expenditure	**-**	(0.1)	**-**	-
Tax due on share of JCEA profits	**-**	-	**-**	0.2
Remeasurement of deferred tax due to change in UK tax rate	**-**	(0.2)	**-**	-
Divestment from shares in Group	**-**	(3.8)	**-**	-
	0.9	2.7	**-**	1.3

During the prior year, Circle Anglia Limited (which later merged with Affinity Sutton Group Limited to form the Parent) gained charitable status. As a result of this, the Parent's tax reconciliation for the current year is much simpler. Additionally, the Group's divestment from Landericus took place in the prior year.

The change in the rate of UK corporation tax to 17% from 1 April 2020 was substantively enacted by the reporting date.

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Deferred tax				
Deferred tax assets				
Employee benefits (including pensions)	**0.3**	0.4	**-**	-
Unused tax losses	**-**	0.1	**-**	-
Other	**0.1**	0.1	**-**	-
	0.4	0.6	**-**	-
Deferred tax liabilities				
Unrealised gains on revaluation of investment properties	**(1.0)**	(1.2)	**-**	-
	(0.6)	(0.6)	**-**	-

Deferred tax liabilities have been recognised for the difference between the fair value and the historic cost of Grange Management (Southern) Limited's Investment properties, as it does not have charitable status and so the disposal of these properties will give rise to a tax charge based on the historic cost. The amount of deferred tax which will reverse in the following year depends on the future movement in the valuation and the properties disposed, neither for which a reliable estimate can be made.

12. Goodwill

Group

	£m
At 1 April 2017	6.3
Recognised on acquisitions	(0.4)
Amortisation	(1.4)
At 31 March 2018	**4.5**

Goodwill relates to the acquisitions of Leamington Waterfront LLP and Latimer Green Lanes Limited ("LGL"), and is being amortised over the life of the development schemes as properties are sold.

The Group acquired the entire issued share capital of LGL on 7 April 2017, generating £0.4 million of negative goodwill (which is immaterial and so has been offset against positive goodwill):

	Book value £m	Adjustment £m	Fair value £m
Stock	19.3	5.1	24.4
Debtors due within one year	0.3	-	0.3
Total identifiable net assets	**19.6**	**5.1**	**24.7**

Consideration for shares	3.5
Loan from Group to LGL to settle LGL's existing borrowings	20.3
Directly attributable costs	0.5
Total consideration	**24.3**

Following acquisition, LGL has not contributed any material amounts to the Group Statement of Comprehensive Income.

13. Other intangible assets

Group

	Enterprise resource planning system £m	Other computer software £m	**Total £m**
Cost			
At 1 April 2017	23.6	37.4	**61.0**
Additions	24.2	1.7	**25.9**
Reclassification between categories	0.1	(0.1)	**-**
Transfer to non-housing fixed assets	-	(0.4)	**(0.4)**
Disposals	-	(18.0)	**(18.0)**
At 31 March 2018	**47.9**	**20.6**	**68.5**
Amortisation			
At 1 April 2017	-	(27.8)	**(27.8)**
Amortisation charge for the year	-	(3.3)	**(3.3)**
Eliminated on disposals	-	17.7	**17.7**
At 31 March 2018	**-**	**(13.4)**	**(13.4)**
Net book value			
At 31 March 2018	**47.9**	**7.2**	**55.1**
Net book value			
At 31 March 2017	23.6	9.6	33.2

During the year £16.6 million of fully-depreciated assets were written off through disposals.

Parent

	Enterprise resource planning system £m	Other computer software £m	**Total £m**
Cost			
At 1 April 2017	23.6	30.6	**54.2**
Additions	24.2	1.4	**25.6**
Reclassification between categories	0.1	(0.1)	**-**
Transfer to non-housing fixed assets	-	(0.4)	**(0.4)**
Disposals	-	(16.4)	**(16.4)**
At 31 March 2018	**47.9**	**15.1**	**63.0**
Amortisation			
At 1 April 2017	-	(22.1)	**(22.1)**
Amortisation charge for the year	-	(2.9)	**(2.9)**
Eliminated on disposals	-	16.2	**16.2**
At 31 March 2018	**-**	**(8.8)**	**(8.8)**
Net book value			
At 31 March 2018	**47.9**	**6.3**	**54.2**
Net book value			
At 31 March 2017	23.6	8.5	32.1

During the year £15.0 million of fully-depreciated assets were written off through disposals.

14. Social housing properties

Group

	Completed		Under construction		
	Rental-only £m	Shared ownership £m	Rental-only £m	Shared ownership £m	**Total £m**
Cost					
At 1 April 2017	6,482.1	601.8	147.4	85.3	**7,316.6**
Construction/redevelopment of properties	-	-	165.6	106.2	**271.8**
Major repairs to completed properties	118.6	-	-	-	**118.6**
Other additions	17.8	-	-	-	**17.8**
Completed construction	117.6	73.2	(117.6)	(73.2)	**-**
Reclassification between tenures	-	-	10.8	(10.8)	**-**
Transfer to investment properties	-	-	(1.7)	-	**(1.7)**
Transfer to stock	-	-	(0.9)	-	**(0.9)**
Components replaced	(13.3)	-	-	-	**(13.3)**
Other disposals	(10.3)	(16.2)	(2.8)	(0.5)	**(29.8)**
At 31 March 2018	**6,712.5**	**658.8**	**200.8**	**107.0**	**7,679.1**
Depreciation and impairment					
At 1 April 2017	(799.0)	(13.5)	(0.9)	-	**(813.4)**
Depreciation charge for the year	(93.2)	-	-	-	**(93.2)**
Impairment charge for the year	(0.7)	-	-	-	**(0.7)**
Completed construction	(0.9)	-	0.9	-	**-**
Eliminated on components replaced	13.3	-	-	-	**13.3**
Eliminated on other disposals	1.3	0.3	-	-	**1.6**
At 31 March 2018	**(879.2)**	**(13.2)**	**-**	**-**	**(892.4)**
Net book value					
At 31 March 2018	**5,833.3**	**645.6**	**200.8**	**107.0**	**6,786.7**
Net book value					
At 31 March 2017	5,683.1	588.3	146.5	85.3	6,503.2

Completed properties with a combined net book value of £3,900.3 million (2017: £3,780.2 million) are held as security against debt and derivatives (see notes 24 and 26), £12.9 million (2017: £12.1 million) of which relates to assets held under finance leases.

15. Investment properties

Group

	Residential properties £m	Non-residential properties £m	Freeholds £m	**Total £m**
At 1 April 2017	169.4	53.7	5.2	**228.3**
Transfer from social housing properties	-	1.7	-	**1.7**
Revaluation	1.1	0.9	(0.4)	**1.6**
At 31 March 2018	**170.5**	**56.3**	**4.8**	**231.6**

All residential properties, the majority of the commercial properties, and all freeholds were valued as at 31 March 2018 by either Jones Lang LaSalle or Savills, Chartered Surveyors, on the basis of Market Value, as defined in "RICS Valuation - Professional Standards" (July 2017).

The value of the remaining commercial properties has been estimated internally, using Jones Lang LaSalle's valuation results as a guide, as £2.2 million (2017: £2.2 million).

Investment properties with a combined fair value of £145.4 million (2017: £146.1 million) are held as security against debt and derivatives (notes 24 and 26).

16. Non-housing fixed assets

Group

	Freehold and leasehold offices £m	Office furniture, fixtures and fittings £m	Computer hardware £m	**Total £m**
Cost				
At 1 April 2017	39.6	34.5	39.4	**113.5**
Additions	5.2	2.3	3.9	**11.4**
Reclassification between categories	(0.2)	0.7	(0.5)	**-**
Transfer from other intangible assets	-	-	0.4	**0.4**
Disposals	(2.5)	(15.4)	(22.0)	**(39.9)**
At 31 March 2018	**42.1**	**22.1**	**21.2**	**85.4**
Depreciation				
At 1 April 2017	(13.2)	(20.4)	(30.9)	**(64.5)**
Depreciation charge for the year	(0.9)	(2.6)	(3.3)	**(6.8)**
Reclassification between categories	0.3	(0.1)	(0.2)	**-**
Eliminated on disposals	1.8	13.5	21.7	**37.0**
At 31 March 2018	**(12.0)**	**(9.6)**	**(12.7)**	**(34.3)**
Net book value				
At 31 March 2018	**30.1**	**12.5**	**8.5**	**51.1**
Net book value				
At 31 March 2017	26.4	14.1	8.5	49.0

During the year £34.9 million of fully-depreciated assets were written off through disposals.

16. Non-housing fixed assets continued

Parent

	Freehold and leasehold offices £m	Office furniture, fixtures and fittings £m	Computer hardware £m	**Total £m**
Cost				
At 1 April 2017	2.8	20.1	24.3	**47.2**
Additions	0.1	2.2	4.5	**6.8**
Reclassification between categories	-	(0.5)	0.5	**-**
Transfer from other intangible assets	-	-	0.4	**0.4**
Transfer to other Group members	-	-	(0.3)	**(0.3)**
Disposals	(0.3)	(7.8)	(11.2)	**(19.3)**
At 31 March 2018	**2.6**	**14.0**	**18.2**	**34.8**
Depreciation				
At 1 April 2017	(1.2)	(7.5)	(16.8)	**(25.5)**
Depreciation charge for the year	(0.3)	(1.8)	(3.1)	**(5.2)**
Reclassification between categories	0.1	0.2	(0.3)	**-**
Eliminated on disposals	-	6.1	10.1	**16.2**
At 31 March 2018	**(1.4)**	**(3.0)**	**(10.1)**	**(14.5)**
Net book value				
At 31 March 2018	**1.2**	**11.0**	**8.1**	**20.3**
Net book value				
At 31 March 2017	1.6	12.6	7.5	21.7

During the year £14.9 million of fully-depreciated assets were written off through disposals.

17. Interests in JCEs and associates

Group

As detailed in note 34, the Group is a member of a number of jointly controlled entities ("JCEs"). It also had one associate (Mayfield Market Towns Limited), but during the year the Group increased its interest from 30% to 50%, making it another JCE.

The amounts included in respect of the Group's share of JCEs and associates comprise the following:

	2018 £m	2017 £m
Turnover	21.1	32.4
Cost of sales	(21.0)	(26.9)
Operating surplus	0.1	5.5
Interest payable	(0.7)	(0.6)
(Deficit)/surplus for the year	(0.6)	4.9
Assets	128.5	131.2
Liabilities	(133.8)	(129.0)
Net (liabilities)/assets	(5.3)	2.2
Investment in JCEs and associates	90.7	89.8
Interest in JCEs and associates	85.4	92.0

The format of the Group's Statement of Comprehensive Income ("SOCI") has been amended and now shows the Group's share of the surplus/deficit of JCEAs, as required by FRS 102. In prior years, as suggested by the SORP, the Group's share of the operating surplus/deficit was included, with the Group's share of JCEAs' interest and tax consolidated on a line-by-line basis. Because in the prior year these non-operating items were restricted to an immaterial £0.6 million of interest payable, the prior year has not been restated, and the prior year figure in the SOCI corresponds to operating surplus.

In accordance with FRS 102, the results for the year have been adjusted to eliminate any amounts in relation to sales of properties to other members of the Group. Likewise, the amounts above are also adjusted as necessary to be in line with Group accounting policies: in the case of Farm Lane and City Road, sales are only recognised on legal completion; in the case of York Road, Graylingwell, Ramsden and Wilmington, eligible interest costs are capitalised; and in all cases, prepaid marketing costs are expensed as incurred.

Included in 'Investment in JCEs and associates' are loans from the Group totalling £89.9 million (2017: £89.6 million).

These loans include £33.9 million (2017: £35.4 million) for amounts lent to Linden/Downland Graylingwell LLP, on which interest is currently charged at the Bank of England base rate plus 3.5%. However, since 1 April 2012 no interest has been recognised by the Group based on its assessment of the recoverability of the capital and interest, and the cumulative amount not included in the above balance is £24.2 million (2017: £21.7 million). Additionally, the amounts lent to this LLP are stated net of a £6.2 million impairment which was recognised in previous years (2017: £6.2 million); £nil of impairment was reversed this year as a result of reviewing the LLP's profit forecasts (2017: £4.4 million).

Development agreements for the construction of residential property are in place between the Group and some of its JCEs and associates. The amount of construction works provided in the year was £3.2 million (2017: £3.0 million) and £0.1 million is included in creditors at the reporting date (2017: £0.3 million).

During the year, the Group received profit distributions of £1.8 million from its JCEs and associates (2017: £17.2 million).

18. Other fixed asset investments

Group

	2018 £m	2017 £m
Equity loans including HomeBuy	13.6	14.4
Other investments	0.2	0.1
	13.8	14.5

Equity loans are secured against the properties to which they relate. Where interest is charged, this is at 1.75% from the fifth anniversary, increasing annually by RPI plus 1%. With the exception of some loans, where repayment is required between the 10th and 25th anniversary, repayment is deferred until the related property is sold, or the homeowner decides to make voluntary repayment.

Parent

	2018 £m	2017 £m
Igloo Insurance PCC Limited (Cell ASG2)	0.4	0.4
Circle Anglia Social Housing plc	0.1	0.1
Clarion Housing Association Limited	0.8	0.8
	1.3	1.3

The Parent's investment in Circle Thirty Three Housing Trust Limited is now an investment in Clarion Housing Association Limited following the amalgamation which took place on 2 January 2018.

19. Stock

Group

	Under construction		Completed properties		
	Social £m	Non-social £m	Social £m	Non-social £m	Total £m
At 1 April 2017	40.2	101.3	14.2	15.9	171.6
Additions	48.1	105.9	-	-	154.0
Properties completed	(35.9)	(43.2)	35.9	43.2	-
Transfer from social housing properties	0.9	-	-	-	0.9
Properties sold	-	-	(35.1)	(27.4)	(62.5)
At 31 March 2018	**53.3**	**164.0**	**15.0**	**31.7**	**264.0**

Non-social additions includes £24.4 million relating to the acquisition of Latimer Green Lanes Limited (see note 12).

20. Debtors

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Amounts falling due within one year				
Rents and service charges arrears	60.9	50.7	-	-
Impairment	(24.2)	(17.5)	-	-
	36.7	33.2	-	-
Amounts due from Group undertakings: loans and cash pooling	-	-	51.7	32.7
Local authority housing transfers	14.2	12.5	-	-
Prepayments and accrued income	21.8	17.1	8.2	7.3
Deferred tax assets (see note 11)	-	0.6	-	-
Amounts due from Group undertakings: trading	-	-	6.5	34.7
Other debtors	11.2	16.7	0.4	1.8
	83.9	80.1	66.8	76.5
Amounts falling due after one year				
Amounts due from Group undertakings: loans	-	-	35.6	98.1
Local authority housing transfers	116.1	128.2	-	-
Derivative financial assets (see note 26)	7.3	11.8	-	-
Deferred tax assets (see note 11)	0.4	-	-	-
Other debtors	1.3	0.1	0.1	0.1
	125.1	140.1	35.7	98.2

21. Current asset investments

Group

	2018 £m	2017 £m
Collateral deposits	111.2	108.5
Cash held on deposit	1.3	2.7
	112.5	111.2

Collateral deposits represent cash that the Group has had to place with derivative counterparties, as a result of the derivative fair values being sufficiently "out of the money" that the Group's liability exceeds an agreed amount.

Funds held by Igloo, the Group's insurance vehicle, have been invested on a short-term basis. At the reporting date, £1.3 million (2017: £2.7 million) is invested in various Certificates of Deposit, which mature over the course of 2018.

22. Creditors: amounts falling due within one year

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Debt (see note 24)				
Bank loans and bonds	**68.5**	79.2	**-**	-
Obligations under finance leases	**0.1**	0.1	**-**	-
Amounts due to Group undertakings: loans and cash pooling	**-**	-	**107.7**	133.7
	68.6	79.3	**107.7**	133.7
Capital grants (see note 25)				
Social housing property grants	**23.1**	23.0	**-**	-
Recycled Capital Grant Fund	**7.8**	7.2	**-**	-
Disposal Proceeds Fund	**2.2**	3.1	**-**	-
	33.1	33.3	**-**	-
Other creditors				
Trade creditors	**11.9**	6.6	**2.0**	1.4
Local authority housing transfers	**14.2**	12.5	**-**	-
Derivative financial liabilities (see note 26)	**-**	1.2	**-**	-
Rents and service charges received in advance	**24.0**	21.7	**-**	-
Other accruals and deferred income	**122.3**	104.6	**16.3**	15.9
Corporation tax	**1.1**	0.1	**-**	-
Other taxation and social security	**0.6**	0.2	**0.2**	0.1
Amounts due to Group undertakings: trading	**-**	-	**1.7**	-
Other creditors	**17.6**	30.0	**4.7**	4.8
	191.7	176.9	**24.9**	22.2
	293.4	289.5	**132.6**	155.9

The Group has a cash pooling arrangement whereby cash held by subsidiaries is pooled into the Parent's bank accounts. As a result the Group's subsidiaries hold very little cash and instead have an interest-bearing intercompany balance with the Parent.

The Group comparatives have been restated to move £11.8 million of interest accruals and £4.7 million of deferred income from 'other creditors' to 'other accruals and deferred income'.

23. Creditors: amounts falling due after more than one year

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Debt (see note 24)				
Bank loans and bonds	**3,528.2**	3,252.3	**-**	-
Obligations under finance leases	**6.5**	6.4	**-**	-
Amounts due to Group undertakings: loans	**-**	-	**174.6**	184.4
	3,534.7	3,258.7	**174.6**	184.4
Capital grants (see note 25)				
Social housing property grants	**2,084.3**	2,096.9	**-**	-
HomeBuy grants	**11.8**	12.3	**-**	-
Recycled Capital Grant Fund	**13.4**	13.4	**-**	-
Disposal Proceeds Fund	**3.1**	5.4	**-**	-
	2,112.6	2,128.0	**-**	-
Other creditors				
Local authority housing transfers	**116.1**	128.2	**-**	-
Derivative financial liabilities (see note 26)	**327.6**	385.0	**-**	-
Other accruals and deferred income	**-**	1.6	**-**	-
Other creditors	**11.2**	7.7	**-**	-
	454.9	522.5	**-**	-
	6,102.2	5,909.2	**174.6**	184.4

24. Debt analysis

Group

	2018 £m	2017 £m
Debt is repayable as follows		
Due within one year	**68.6**	79.3
Due between one and two years	**173.2**	52.5
Due between two and five years	**372.7**	394.7
Due after more than five years	**2,988.8**	2,811.5
	3,603.3	3,338.0

The Group's funding is provided by the following entities, through a mixture of facilities which are drawn as follows. Additionally, there are a number of accounting adjustments to these notional amounts.

	2018 £m	2017 £m
Notional amounts drawn		
Clarion Treasury Limited		
- Loans	**2,201.7**	1,939.9
Circle Anglia Social Housing PLC		
- Bond issuance	**635.0**	635.0
Affinity Sutton Capital Markets PLC		
- Bond issuance	**500.0**	500.0
Circle Anglia Social Housing 2 PLC		
- Private placement	**150.0**	150.0
Clarion Housing Association Limited		
- Bonds and loans	**55.4**	57.8
- Finance leases	**5.9**	5.9
	3,548.0	3,288.6
Accounting adjustments		
Fair value adjustment due to		
- Acquisitions of Mercian Housing Association Limited and Russet Homes Limited	**16.4**	18.7
- Hedging of private placement	**10.6**	12.9
Effective interest rate adjustment	**28.3**	17.8
	55.3	49.4
	3,603.3	3,338.0

The fair value adjustment relating to acquisitions is amortised over the life of the related loans and £2.3 million has been released in this period (2017: £1.2 million).

The following tables show the maturity and margins on the Group's principal borrowings:

	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	**Total £m**
Maturity of notional amounts drawn					
Term	36.6	36.8	205.6	775.4	**1,054.4**
Revolver	27.7	130.8	151.8	837.0	**1,147.3**
Bond	0.9	0.9	3.2	1,166.5	**1,171.5**
Private placement	-	-	-	150.0	**150.0**
Finance lease	0.1	0.1	0.3	5.4	**5.9**
Other	1.5	1.7	5.7	10.0	**18.9**
At 31 March 2018	**66.8**	**170.3**	**366.6**	**2,944.3**	**3,548.0**
At 31 March 2017	54.8	45.9	384.4	2,803.5	3,288.6

	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	**Total £m**
Maturity of facilities (notional amounts)					
Term	36.6	36.8	205.6	775.4	**1,054.4**
Revolver	39.6	142.5	527.6	904.8	**1,614.5**
Bond	0.9	0.9	3.2	1,166.5	**1,171.5**
Private placement	-	-	-	150.0	**150.0**
Finance lease	0.1	0.1	0.3	5.4	**5.9**
Other	1.5	1.7	5.7	10.0	**18.9**
At 31 March 2018	**78.7**	**182.0**	**742.4**	**3,012.1**	**4,015.2**
At 31 March 2017	83.7	77.3	871.5	3,067.8	4,100.3

	At 1 April 2017 £m	Cash flows £m	Changes in fair value £m	Other non-cash changes £m	**At 31 March 2018 £m**
Analysis of changes in net debt					
Cash and cash equivalents	168.5	14.4	-	-	**182.9**
Debt	(3,338.0)	(258.1)	2.3	(9.5)	**(3,603.3)**
Derivatives	(374.4)	-	54.1	-	**(320.3)**
Net debt	**(3,543.9)**	**(243.7)**	**56.4**	**(9.5)**	**(3,740.7)**

24. Debt analysis continued

Group continued

	Fixed rate £m	Floating rate £m	**Total £m**
Interest rate analysis			
Term	952.1	102.3	**1,054.4**
Revolver	631.3	516.0	**1,147.3**
Bond	1,171.5	-	**1,171.5**
Private placement	-	150.0	**150.0**
Finance lease	5.9	-	**5.9**
Other	17.9	1.0	**18.9**
Borrowings at 31 March 2018	**2,778.7**	**769.3**	**3,548.0**
Cash and cash equivalents	(3.6)	(179.3)	**(182.9)**
Collateral and other deposits	(1.3)	(111.2)	**(112.5)**
Cash and deposits at 31 March 2018	**(4.9)**	**(290.5)**	**(295.4)**
Net borrowings at 31 March 2018	**2,773.8**	**478.8**	**3,252.6**
Net borrowings at 31 March 2017	2,927.3	96.0	3,023.3

The Group's debt has a weighted average maturity of 15 years (2017: 16 years) and a weighted average cost of 4.23% (2017: 4.43%). In order to minimise the Group's exposure to variable interest rate risk, 85% of the Group's portfolio is fixed, either directly or as a result of interest-rate swaps which convert variable interest rates to fixed interest rates (2017: 94%).

25. Capital grants

Group

	HomeBuy grants £m	Social housing property grants £m
At 1 April 2017	12.3	2,119.9
New grant recognised	-	9.5
RCGF/DPF utilised	-	9.1
Amortisation	-	(23.8)
Recycled on disposals	(0.5)	(6.5)
Disposals not required to be recycled	-	(0.8)
At 31 March 2018	**11.8**	**2,107.4**
Amounts falling due within one year	-	23.1
Amounts falling due after more than one year	11.8	2,084.3
	11.8	**2,107.4**

	HE £m	GLA £m	**Total £m**
Recycled Capital Grant Fund			
At 1 April 2017	11.0	9.6	**20.6**
Additions to fund due to disposals	4.0	3.4	**7.4**
Utilised against new properties	(1.8)	(4.1)	**(5.9)**
Transfers to other private Registered Providers	(0.9)	-	**(0.9)**
At 31 March 2018	**12.3**	**8.9**	**21.2**
Amounts falling due within one year			7.8
Amounts falling due after more than one year			13.4
			21.2
Amounts three years old or older which may need to be repaid	2.2	-	**2.2**

	HE £m	GLA £m	**Total £m**
Disposal Proceeds Fund			
At 1 April 2017	4.0	4.5	**8.5**
Utilised against new properties	(0.4)	(2.8)	**(3.2)**
At 31 March 2018	**3.6**	**1.7**	**5.3**
Amounts falling due within one year			2.2
Amounts falling due after more than one year			3.1
			5.3
Amounts three years old or older which may need to be repaid	1.1	-	**1.1**

26. Financial instruments

Group

The following financial derivative contracts are in place:

	2018 Active £m	2018 Forward starting £m	2018 Total £m	2017 Active £m	2017 Forward starting £m	2017 Total £m
Notional						
Interest-rate swaps - option	160.0	-	160.0	160.0	-	160.0
Interest-rate swaps - pay fixed	1,355.1	100.0	1,455.1	1,381.3	100.0	1,481.3
Interest-rate swaps - receive fixed	100.0	-	100.0	100.0	-	100.0
	1,615.1	100.0	1,715.1	1,641.3	100.0	1,741.3
Fair value						
Interest-rate swaps - option	0.5	-	0.5	1.6	-	1.6
Interest-rate swaps - pay fixed	(319.5)	(8.1)	(327.6)	(377.9)	(8.3)	(386.2)
Interest-rate swaps - receive fixed	6.8	-	6.8	10.2	-	10.2
	(312.2)	(8.1)	(320.3)	(366.1)	(8.3)	(374.4)

Forward starting swaps represent hedging activity entered into in line with the Group's Treasury Risk Management Policy based on the forecast debt profile to protect against future interest rate increases.

For those interest-rate swaps where cash flow hedge accounting is used, the net undiscounted cash flows are expected to occur as follows:

	2018 £m	2017 £m
Due within one year	40.7	43.7
Due between one and two years	36.9	40.7
Due between two and five years	79.3	93.3
Due after more than five years	248.6	272.4
	405.5	450.1

In order to better understand the assumptions behind the nature of measuring the fair values of the Group's swap portfolio, the values have been placed into a hierarchy similar to that under IFRS 13.

All of the Group's derivatives at the reporting date are Level 2 (2017: all are Level 2).

27. Provisions for liabilities and charges

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Net pension liabilities	**70.9**	57.2	**-**	-
Deferred tax liabilities	**1.0**	1.2	**-**	-
SHPS deficit funding payments	**-**	15.9	**-**	0.1
Other	**10.0**	15.4	**0.8**	2.6
	81.9	89.7	**0.8**	2.7

For further details of the Group's and Parent's pension arrangements, see note 28.

Group

	Deferred tax liabilities £m	SHPS deficit funding payments £m	Other £m	Total £m
Deferred tax liabilities, SHPS and other provisions				
At 1 April 2017	1.2	15.9	15.4	**32.5**
Additions	-	-	3.2	**3.2**
Amounts utilised	-	(1.2)	(6.1)	**(7.3)**
Transfer to net pension liabilities	-	(14.9)	-	**(14.9)**
Unused amounts reversed	(0.2)	-	(2.5)	**(2.7)**
Unwinding of discounted amount	-	0.2	-	**0.2**
At 31 March 2018	**1.0**	**-**	**10.0**	**11.0**

See note 11 for an explanation of the deferred tax liabilities.

The Group was a member of the defined benefit section of the Social Housing Pension Scheme ("SHPS") and had made a provision for the deficit funding payments it had agreed to make in the future. The interest cost on unwinding was £0.2 million (2017: £0.6 million). During the year, the Group exited SHPS and the provision was transferred to net pension liabilities. See note 28.

Up until 31 March 2017, the Group had an agreement with Thames Water to pay the water and sewage charges for some 17,000 of its housing properties, as part of which the Group billed those properties' tenants. As part of this agreement, the Group received a credit from Thames Water as an administration fee as well as to account for credit risk and some properties being void. A High Court judgement in March 2016 against Southwark Council – which had a similar arrangement with Thames Water - decided that the council should have passed on this credit to its residents. The Group was not party to this case, and whatever course of action Southwark Council has chosen to take, subsequent to the ruling, applies only to its own tenants. The Group, along with other housing associations and local authorities, is considering its position with regard to its own tenants, as part of which it has recognised a provision for £5.0 million (2017: £6.5 million).

Other provisions also includes, amongst other amounts, £3.4 million (2017: £5.4 million) for remedial structural works required at Queen Mary Gate, South Woodford and £0.7 million (2017: £1.7 million) for dilapidations at leased offices that the Group has decided to vacate.

27. Provisions for liabilities and charges continued

Parent

	SHPS deficit funding payments £m	Other £m	**Total £m**
Deferred tax liabilities, SHPS and other provisions			
At 1 April 2017	0.1	2.6	**2.7**
Additions	-	0.7	**0.7**
Amounts utilised	-	(1.5)	**(1.5)**
Transfer to net pension liabilities	(0.1)	-	**(0.1)**
Unused amounts reversed	-	(1.0)	**(1.0)**
At 31 March 2018	**-**	**0.8**	**0.8**

The Parent was a member of the defined benefit section of SHPS and had made a provision for the deficit funding payments it had agreed to make in the future. During the year, the Group exited SHPS and the provision was effectively transferred to Clarion Housing Association Limited. See note 28.

Other provisions also includes, amongst other amounts, £0.7 million (2017: £1.7 million) for dilapidations at leased offices that the Parent has decided to vacate.

28. Pensions

Social Housing Pension Scheme (defined benefit section)
The Group previously participated in this multi-employer scheme, which provides benefits to some 500 non-associated employers. As it was not possible for the Group to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme, it accounted for it as a defined contribution scheme.

A full actuarial valuation for the scheme was carried out with an effective date of 30 September 2014. This actuarial valuation was certified on 23 November 2015 and showed assets of £3,123 million, liabilities of £4,446 million and thus a deficit of £1,323 million. To eliminate this funding shortfall, the trustees and the participating employers agreed that additional contributions will be paid, in combination from all employers, to the scheme as follows:

Tier	Period	Total contribution per annum
1	From 1 April 2016 to 30 September 2020	£40.6 million (increasing by 4.7% each 1st of April)
2	From 1 April 2016 to 30 September 2023	£28.6 million (increasing by 4.7% each 1st of April)
3	From 1 April 2016 to 30 September 2026	£32.7 million (increasing by 3.0% each 1st of April)
4	From 1 April 2016 to 30 September 2026	£31.7 million (increasing by 3.0% each 1st of April)

The Group previously recognised a provision for its share of these deficit funding payments (see note 27). On 30 September 2017, the Group exited the defined benefit section of SHPS, transferring its share of assets and liabilities to the William Sutton Housing Association Final Salary Scheme (now known as the Clarion Housing Group Pension Scheme), a defined benefit scheme which the Group also accounts for as such. This transfer triggered a change in accounting treatment of that specific part of the Group's pension scheme portfolio and the £26.6 million shortfall between the £14.9 million provision at the date of the transfer and the £41.5 million net defined benefit liability recognised is included in Other Comprehensive Income.

As the full liability for pension arrangements transferred from SHPS are now accounted for by Clarion Housing Association Limited, the transfer of the Parent's £0.1 million provision at the date of the transfer has been treated as a distribution-in-kind. Following the transfer, the Parent continues to pay contributions in respect of its active employees, and accounts for these on a defined contribution basis.

Other defined benefit schemes
The Group now participates in the following defined benefit schemes, which it accounts for as defined benefit schemes:

Scheme	Date of the most recent comprehensive actuarial valuation
Cambridgeshire County Council Pension Fund	31 March 2016
Clarion Housing Group Pension Scheme	30 September 2015
Downland Housing Group Pension & Assurance Scheme	31 March 2015
Hertfordshire County Council Pension Fund	31 March 2016
Kent County Council Pension Fund	31 March 2016
London Borough of Bromley Pension Fund	31 March 2016
London Borough of Merton Pension Fund	31 March 2016
London Pensions Fund Authority Pension Fund	31 March 2016
Norfolk County Council Superannuation Fund	31 March 2016
Surrey County Council Pension Fund	31 March 2016

In the prior year, Affinity Sutton Homes Limited (now Clarion Housing Association Limited) replaced the Parent as the Group's admitted body for the Norfolk County Council Superannuation Fund, taking on its £14.1 million net liability. This was accounted for as a distribution-in-kind. Earlier in the prior year, the Parent replaced Anglia Maintenance Services Limited as the admitted body for its share, and received a £1.4 million net asset.

28. Pensions continued

These most recent comprehensive actuarial valuations have been used by the scheme actuaries to estimate the amounts recognised by the Group/Parent. These amounts are, in aggregate, as follows:

Reconciliation of opening and closing pension assets and liabilities:

	Group		Parent	
	2018 £m	2017 £m	2018 £m	2017 £m
Fair value of scheme assets				
At the beginning of the year	276.8	237.2	-	28.8
Interest income	7.8	8.3	-	0.8
Actual return on scheme assets less interest income	7.0	37.6	-	0.4
Contributions by employer	14.7	7.1	-	1.0
Contributions by members	0.5	0.4	-	0.1
Benefits paid	(10.7)	(10.2)	-	(1.0)
Transfer in of SHPS assets	81.9	-	-	-
Cessation of schemes	(20.1)	(3.6)	-	-
Transfer to other Group member	-	-	-	(30.1)
At the end of the year	357.9	276.8	-	-
Defined benefit obligation				
At the beginning of the year	334.0	288.1	-	38.4
Current service cost	3.8	2.0	-	0.2
Past service cost, curtailments and settlements	0.3	1.2	-	0.5
Interest expense	9.7	9.9	-	1.0
Actuarial (gains)/losses in respect of liabilities	(13.7)	47.1	-	6.5
Contributions by members	0.5	0.4	-	0.1
Benefits paid	(10.7)	(10.2)	-	(1.0)
Transfer in of SHPS liabilities	123.4	-	-	-
Cessation of schemes	(18.5)	(4.5)	-	-
Transfer to other Group member	-	-	-	(45.7)
At the end of the year	428.8	334.0	-	-
Net pension liabilities	(70.9)	(57.2)	-	-

Amounts credited/(charged) to the Income Statement:

	Group 2018 £m	2017 £m	Parent 2018 £m	2017 £m
Operating costs				
Current service cost	**(3.8)**	(2.0)	**-**	(0.2)
Past service cost, curtailments and settlements	**(0.3)**	(1.2)	**-**	(0.5)
Cessation of schemes	**(1.6)**	(1.1)	**-**	-
	(5.7)	(4.3)	**-**	(0.7)
Interest payable relating to pensions				
Interest income	**7.8**	8.3	**-**	0.8
Interest expense	**(9.7)**	(9.9)	**-**	(1.0)
	(1.9)	(1.6)	**-**	(0.2)
	(7.6)	(5.9)	**-**	(0.9)

Gains/(losses) recognised in other comprehensive income:

	Group 2018 £m	2017 £m	Parent 2018 £m	2017 £m
Actuarial gains/(losses)				
Actual return on scheme assets less interest income	**7.0**	37.6	**-**	0.4
Actuarial gains/(losses) in respect of liabilities	**13.7**	(47.1)	**-**	(6.5)
	20.7	(9.5)	**-**	(6.1)
Loss on transfer of SHPS	**(26.6)**	-	**-**	-
	(5.9)	(9.5)	**-**	(6.1)

The categories of scheme assets, and the actual return on those assets, were as follows:

	Group 2018 £m	2017 £m	Parent 2018 £m	2017 £m
Equities	**166.0**	177.6	**-**	-
Gilts and other bonds	**71.1**	65.4	**-**	-
Property	**20.7**	19.8	**-**	-
Cash	**4.4**	5.7	**-**	-
Target return portfolio	**4.1**	5.1	**-**	-
Other	**91.6**	3.2	**-**	-
	357.9	276.8	**-**	-
Actual return	**14.8**	45.9	**-**	1.2

28. Pensions continued

The ranges of principal actuarial assumptions used, including the expected number of years in retirement, are as follows:

	Group		Parent	
	2018	2017	**2018**	2017
Inflation	**2.3%-3.4%**	2.3%-3.5%	**n/a**	n/a
Future salary increases	**2.7%-4.2%**	2.5%-4.3%	**n/a**	2.7%
Future pension increases	**2.3%-3.3%**	2.3%-3.4%	**n/a**	2.4%
Discount rate	**2.5%-2.7%**	2.5%-2.8%	**n/a**	2.5%
Retiring today - male	**21.8-24.5**	21.9-24.4	**n/a**	22.1
Retiring today - female	**23.7-26.1**	24.0-26.0	**n/a**	24.4
Retiring in twenty years - male	**22.8-26.8**	23.3-26.6	**n/a**	24.1
Retiring in twenty years - female	**24.9-28.4**	25.5-28.3	**n/a**	26.4

During the year, the Group exited the Hertfordshire County Council Pension Fund and part-exited the Cambridgeshire County Council Pension Fund; as the funds were sufficiently in surplus, no cessation payments were required. In the prior year, the Group exited the Islington Council Pension Fund and the London Borough of Tower Hamlets Pension Fund, as a result of which it made cessation payments totalling £2.0 million.

29. Contingent assets/liabilities

Group
As per note 1, the original amount of social housing property grants may become repayable. In addition to the amounts disclosed in creditors, £314.9 million of grant has been credited to reserves to date through amortisation (2017: £292.1 million). The timing of any future repayment is uncertain.

The Group has received a letter before action from solicitors acting on behalf of various residents at Orchard Village in respect of disrepair, misrepresentation and other various claims. No formal liability assessment has been undertaken.

The Group has a contingent liability in relation to defects found at 284 other properties (2017: 63 properties). For 34 of these properties, a formal liability assessment has been made, totalling £0.5 million (2017: 5 properties, £0.1 million).

Parent
The Parent has no contingent assets/liabilities.

30. Capital commitments

Group

	2018 £m	2017 £m
Contracted for but not provided for in the financial statements	**647.2**	695.6
Authorised by the Board but not contracted for	**2,673.2**	490.5
	3,320.4	1,186.1

These commitments to future capital expenditure predominantly relate to the construction of housing properties.

Amounts contracted for but not provided for in the financial statements include £458.0 million (2017: £72.0 million) for the Group's share of the capital commitments of its JCEs and associates.

Amounts authorised by the Board but not contracted for includes £nil (2017: £34.7 million) for the Group's share of the future gross capital expenditure committed through the development agreement relating to Linden/Downland Graylingwell LLP. This development agreement allows construction programme timings to be varied, with sales receipts from earlier phases used to fund the construction of further units.

At the reporting date the Group had £182.9 million of cash and cash equivalents and £467.2 million of undrawn funding. The remaining £2,670.3 million is expected to be funded by future surpluses and debt funding, sourced from banks and the debt capital markets. The Group considers this to be a reasonable expectation given its previous success in these markets and its strong investment grade credit rating. The first £250 million of the Group's £3 billion European Medium Term Note programme was issued in April 2018.

Parent

	2018 £m	2017 £m
Contracted for but not provided for in the financial statements	**7.7**	42.1
Authorised by the Board but not contracted for	**-**	18.9
	7.7	61.0

The Parent will recharge any committed cost to its subsidiaries via its Service Level Agreement.

31. Commitments under leases

Total future minimum lease payments under non-cancellable operating leases are due as follows:

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Within the next year	**6.6**	4.7	**4.3**	2.2
Between one and five years' time	**16.8**	17.5	**11.2**	11.1
Later than five years' time	**11.6**	12.3	**10.6**	10.6
	35.0	34.5	**26.1**	23.9

Total future minimum lease payments under non-cancellable finance leases are due as follows:

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Within the next year	**0.6**	0.6	**-**	-
Between one and five years' time	**2.5**	2.5	**-**	-
Later than five years' time	**10.5**	11.2	**-**	-
	13.6	14.3	**-**	-

The latter reconciles to the amounts included in creditors for "obligations under finance leases" as follows:

	Group 2018 £m	Group 2017 £m	Parent 2018 £m	Parent 2017 £m
Obligations under finance leases				
Amounts falling due within one year	**0.1**	0.1	**-**	-
Amounts falling due after more than one year	**6.5**	6.4	**-**	-
	6.6	6.5	**-**	-
Interest payable to be recognised in future periods	**7.0**	7.8	**-**	-
	13.6	14.3	**-**	-

32. Non-equity share capital

	2018 £	2017 £
Shares of £1 issued and fully paid		
At the beginning of the year	**22**	17
Movements during the year	**(5)**	5
At the end of the year	**17**	22

Each member of the Parent holds one £1 share. These shares carry no dividend rights and are cancelled on cessation of membership of the Parent. Each member has the right to vote at members' meetings.

33. Legislative provisions

The Parent is a registered society under the Co-operative and Community Benefit Societies Act 2014 and is regulated by the Regulator of Social Housing.

34. Subsidiaries, JCEs and associates

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing

At the reporting date, Clarion Housing Group Limited controls the following entities. It also owns 100% of each of these entities, either directly or indirectly, with the exception of Thackeray Mews Ltd of which it owns 62%:

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
Registered Provider (Public Benefit Entity)				
Clarion Housing Association Limited	-	7686	-	4865
Property maintenance or management				
Anglia Maintenance Services Limited	03300038	-	-	-
Clarion Response Limited	04129615	-	-	-
Grange Management (Southern) Limited	08351375	-	-	-
Registered charities (Public Benefit Entities)				
Circle Anglia Foundation Limited	01832817	-	326681	-
Circle Care and Support Limited	03307684	-	1107432	-
Clarion Futures	07156509	-	1135056	-
Treasury vehicles				
Affinity Sutton Capital Markets PLC	06678086	-	-	-
Affinity Sutton Funding Limited	05589011	-	-	-
Circle Anglia Social Housing PLC	06370683	-	-	-
Circle Anglia Social Housing 2 PLC	09781172	-	-	-
Clarion Funding PLC	10922187	-	-	-
Clarion Treasury Limited	06133979	-	-	-
Property development				
Affinity Sutton Investments Limited	07466271	-	-	-
Affinity Sutton Professional Services Limited	07068999	-	-	-
Broomleigh Regeneration Limited	06494492	-	-	-
Circle Housing Asset Design Limited	08822471	-	-	-
Downland Regeneration Limited	06456605	-	-	-
Latimer Cocoa Works LLP	OC419999	-	-	-
Latimer Developments Limited	05452017	-	-	-
Latimer Green Lanes Limited	012398V	-	-	-
Leamington Waterfront LLP	OC318351	-	-	-
Merton Developments Limited	09042606	-	-	-
Your Lifespace Limited	02998648	-	-	-
Zenith Development Partnership Limited	04565189	-	-	-
Property investment				
Landericus Limited	48291	-	-	-

34. Subsidiaries, JCEs and associates continued

Full name	Company	FCA Registered Society	Charity Commission	Regulator of Social Housing
Property management				
Avon View & Swan House Management Company Limited	06371295	-	-	-
Maple Grove (Hackbridge) Management Limited	11148693			
Thackeray Mews Limited	02666421	-	-	-
Waterfront (Warwick) Management Company Limited	06371938	-	-	-
Willow View and Bridge House Management Company Limited	06371331	-	-	-
Other				
Circle Living Limited	05737166	-	-	-
Invicta Telecare Limited	04133585	-	-	-
Old Ford Homes Limited	04625160	-	-	-

The Group also accounts for the assets and liabilities of its captive insurance cell as if it were a subsidiary:

Insurance vehicle				
Igloo Insurance PCC Limited (Cell ASG2)	53462	-	-	-

The Group is a member of the following JCEs. It also owns 50% of each:

Property development				
72 Farm Lane Developments LLP	OC379893	-	-	-
261 City Road Developments LLP	OC360210	-	-	-
Bonner Road LLP	OC401099	-	-	-
Circle Hill LLP	OC397177	-	-	-
Countryside Clarion (Eastern Quarry) LLP	OC420693			
Latimer Hill LLP	OC415952	-	-	-
Linden (York Road) LLP	OC392756	-	-	-
Linden/Downland Graylingwell LLP	OC332712	-	-	-
Mayfield Market Towns Limited	08161672			
Ramsden Regeneration LLP	OC352417	-	-	-
Wilmington Regeneration LLP	OC352419	-	-	-

261 City Road Developments LLP has the following 100% subsidiaries:

City Road (Lexicon) Limited	30048	-	-	-

Mayfield Market Towns Limited has the following 100% subsidiary:

Mayflower Residential Limited	11193327	-	-	-

All of the above companies are incorporated in England and Wales with the exception of Latimer Green Lanes Limited (registered on the Isle of Man), Landericus Limited and Igloo Insurance PCC Limited (both registered in Guernsey) and City Road (Lexicon) Limited (registered in Bermuda).

In the prior year, the Group disposed of Landericus Holding Limited S.à.r.l. (including its subsidiaries) and Prime Care Holdings Limited (including its subsidiaries). Neither of these operations was a major line of business for the Group and so were not presented as discontinued operations. The total surplus on disposal was £6.6 million.

35. Related party disclosures and intra-group transparency

Debtor and creditor balances between members of the Group are either debt subject to a market rate of interest, fair values in respect of intra-Group derivative contracts, or trading balances which are non- interest bearing and are due to be settled within one year of their recognition.

The Group has a cash pooling arrangement whereby cash held by subsidiaries is pooled into the ultimate parent's bank accounts. As a result the Group's subsidiaries generally hold very little cash and instead have an interest-bearing intercompany balance with the ultimate parent.

As the Group parent, Clarion Housing Group Limited incurs certain staff costs and overheads centrally on behalf of the whole Group. These costs are then recharged to other members of the Group.

Prior to the merger in November 2016, Affinity Sutton Group Limited was the group parent of the Affinity Sutton Group and Circle Anglia Limited was the group parent of the Circle Housing Group. Each incurred their own costs and these were recharged to other members of the respective group according to the methodologies in place. A new, aligned methodology for the Clarion Housing Group has applied from 1 April 2017 - the old methodologies continued to be used in the four months to 31 March 2017 as the potential impact was found to be immaterial.

The new methodology first allocates direct costs to specific business areas, such as housing management, property development and community investment. The remaining central overheads are then apportioned across all entities based on their gross profit.

The recharges were as follows:	2018 £m	2017 £m
Affinity Sutton Professional Services Limited	1.0	0.7
Circle Care and Support Limited	0.5	1.0
Circle Housing Asset Design Limited	0.2	0.4
Clarion Futures[1]	3.0	1.0
Clarion Housing Association Limited[2]	104.9	152.4
Clarion Response Limited[3]	1.1	0.8
Grange Management (Southern) Limited	0.2	0.1
Invicta Telecare Limited	0.4	0.6
Landericus Limited	-	0.4
Latimer Developments Limited	1.2	0.2
Leamington Waterfront LLP	0.3	0.2
Your Lifespace Limited	0.7	0.2
	113.5	158.0

[1] Formerly Affinity Sutton Community Foundation.

[2] Merger of Affinity Sutton Homes Limited, Circle Thirty Three Housing Trust Limited, Merton Priory Homes, Mole Valley Housing Association Limited, Old Ford Housing Association and Russet Homes Limited.

[3] Merger of Affinity Sutton Repairs Limited and Community Building Services (CBS) Limited.

The decrease in the recharge for Clarion Housing Association Limited is due to the intra-group transfer of employees (see note 5), as well as a decrease in other operating costs.

Other regulated members of the Clarion Housing Group have disclosed transactions with non-regulated members in their own financial statements.

Apart from any disclosures made in relation to the Group's JCEAs, no other related party transactions require disclosure.

Read more:
www.clarionhg.com

luminous

Consultancy, design and production
www.luminous.co.uk

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C020659

Cover image:
Eastern Quarry, one of the UK's largest residential schemes at Ebbsfleet Garden City in North Kent.
Photo courtesy of Henley Camland

CLARION HOUSING GROUP

CLARION HOUSING GROUP
Registered Society No. 28038R
Homes and Communities Agency
Registration No. LH4087
Registered Office:
Level 6, 6 More London Place
Tooley Street
London
SE1 2DA

clarionhg.com