Human focused
Stronger together
Moving forward
Efficient

Circle Housing

Enhancing Life Chances

Circle Housing
Annual report and accounts 2014

We're Circle Housing, one of England's largest providers of affordable housing

We don't just build houses, we create sustainable communities for everyone through a business head and social heart.

In this report

Our plan

We have a clear strategy that protects, strengthens and grows our business. This strategy ensures that we will provide affordable homes and support our customers well into the future.

Our core business is the home. We offer a wide range of housing choices in England, including affordable homes, supported living and sheltered housing, in over 110 local authority areas. We provide good quality, safe, secure homes and are a responsible, reliable landlord. We also support people to live independently through telecare, support and care services.

Our homes will support customers well into the future

Detailed highlights

See further highlights including our property portfolio from page 6.

Circle Housing

70,000

Properties across England

Centra

100,000

People given 24/7 telecare support

300,000

Customers at the heart of everything we do

2,300

Dedicated staff

Read this report online

Find the digital version of this report on our corporate website at **www.circlegroup.org.uk**

First-rate support

We provide great homes and communities to live in and first-rate support services to help our customers live independently.

Who we are

Circle Housing is one of England's largest housing associations. We provide, manage and maintain great places for people to live.

Our wider mission is to enhance the life chances of our customers. We help our customers to live independently and provide them with new opportunities. Having a secure, good quality home in a thriving community is the cornerstone of this.

We go further and offer a range of responsive telecare, care and support services that help people live independently for as long as possible.

Our core values

We live and breathe our values in order to deliver the best service to our customers.

Human focused
We put our customers and our people at the heart of everything we do.

Moving forward
We're innovative and forward looking – if there's a better way to do something we'll find it.

Stronger together
We're a joined-up team working together for the same purpose.

Efficient
We know how to get things done and we deliver value every day.

Circle Housing

www.circlegroup.org.uk

With a team of more than 2,300 people, Circle Housing manages over 70,000 properties and provides services to around 200,000 people across England through nine Group partners.

Circle Housing Circle 33
Circle Housing Mercian
Circle Housing Merton Priory
Circle Housing Mole Valley
Circle Housing Old Ford
Circle Housing Roddons
Circle Housing Russet
Circle Housing South Anglia
Circle Housing Wherry

Centra

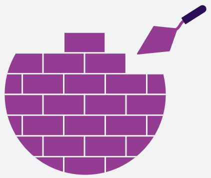
www.centragroup.org.uk

Centra is our care, support, telecare and commercial property partner. Centra provides services to around 100,000 customers and manages our previous brands Circle Living, Invicta Telecare, Circle Support and Alone in London.

Alone in London
Centra Agency
Centra Care
Centra Connect
Centra Homes
Centra Living
Centra Pulse
Centra Support

Homes

Repairs and maintenance



Development

Support

Care

Telecare

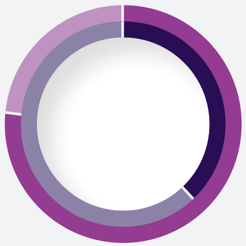
Who we are continued

We are looking to grow our business in England through our companies and partners.

London vs rest of England

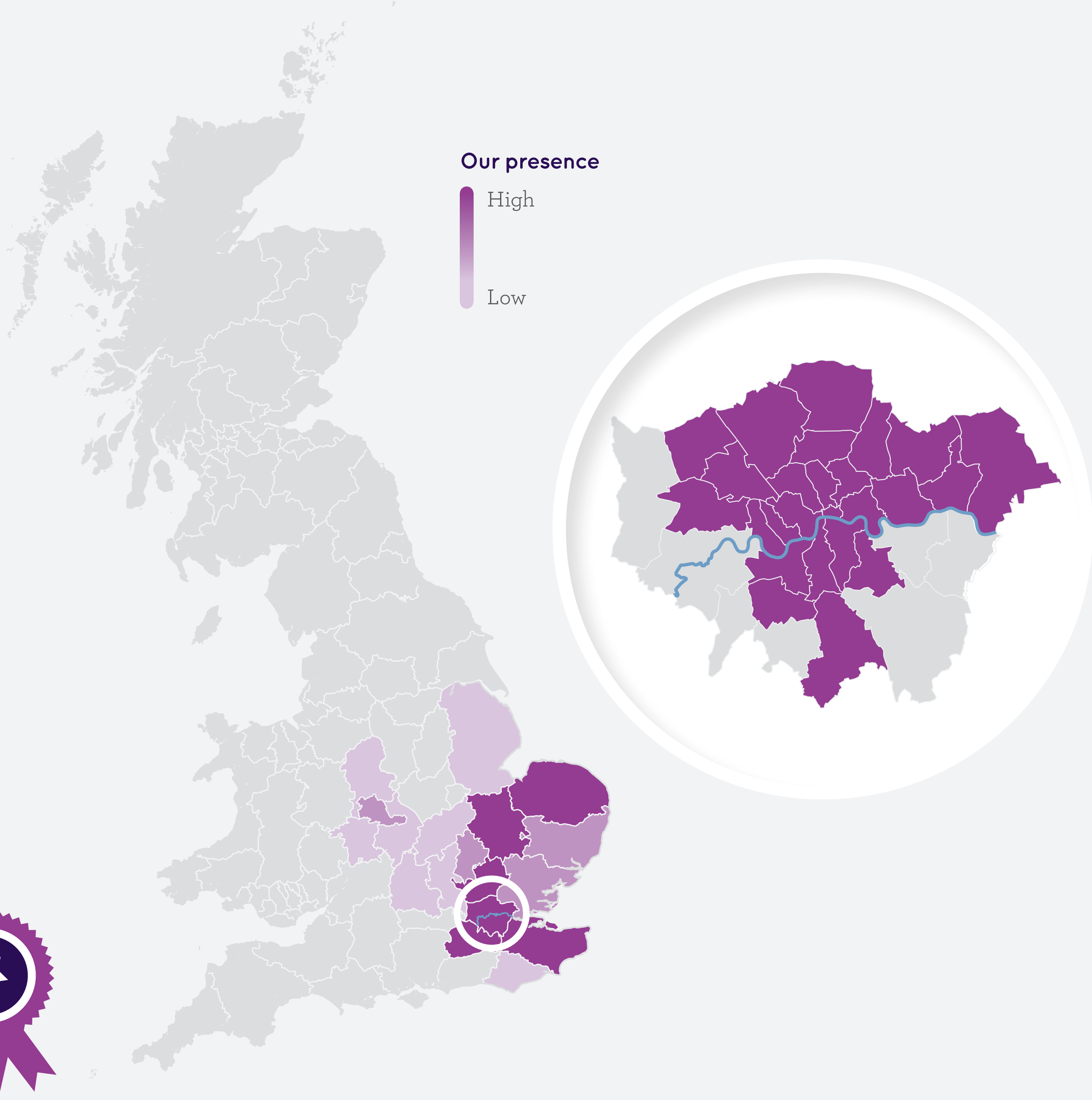
- London 45%
- Rest of England 55%

Flats vs houses



London
- Flats 77%
- Houses 23%

Rest of England
- Flats 38%
- Houses 62%



Awards

Last year we won multiple awards for our homes, people and business systems. These recognise our excellence in employment and skills services, development schemes, leadership and social value activities.

Our history

1970 · 1980 · 2000 · 2010

1968
Circle 33 Housing Trust is set up

1990
Wherry Housing Association formed

1994
Anglia Housing Group is set up, incorporating Blackwater Housing Association, Stort Valley Housing Association and Wherry Housing Association

1997
EPIC Trust is established (now Circle Care and Support Limited, trading as Centra Support)

Anglia Housing Group incorporates Anglia Commercial Services and Foyer for Ipswich

1998
Old Ford Housing Association is formed (following a stock transfer from Tower Hamlets Housing Action Trust)

2005
We begin our growth as a leading housing group when Circle 33 Housing Group and Anglia Housing Group merge to form Circle Anglia

As part of the merger Berecroft Community Housing, Blackwater Housing Association and Vange Community Housing transfer to Stort Valley Housing Association (which later changes its name to South Anglia Housing Limited)

2006
Commercial Services Circle Anglia is formed (now Centra Living Limited)

2007
October
Mole Valley Housing Association Limited is formed from a stock transfer from Mole Valley District Council

Invicta Telecare Limited joins the Group

Russet Homes Limited joins the Group

November
Roddons Housing Association Limited is formed from a stock transfer from Fenland District Council

2008
First Bond issue is made via our treasury vehicle, Circle Anglia Social Housing Plc

2009
Mercian Housing Association joins the Group

2011
Circle Anglia becomes Circle Housing Group

2012
A second Bond is issued via our treasury vehicle, Circle Anglia Social Housing Plc

2013
July
Centra completes the acquisition of Prime Care Holdings Limited and its subsidiaries

Our youth homelessness charity, Alone in London, celebrates 40 years of helping young people across the capital

2013
Circle Housing Group rebrands to Circle Housing and Centra

Highlights of our year

For the year ended 31 March 2014

Homes (social and non social)

Turnover	£333.5 million
Operating surplus	£110.5 million
Surplus from sales	£14.6 million
Management costs	£58.0 million
Maintenance spend	£81.3 million

We own just over 70,000 properties, generating an income during the year of £333.5 million. We delivered an operating surplus of £110.5 million during the year, enabling us to reinvest in providing almost 400 new affordable homes and deliver important services to our customers.

Telecare, care and support

Turnover	£29.2 million
Operating deficit	£0.4 million (excluding Gift Aid received)

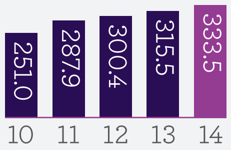
During the year, we successfully developed our new business plan. We restated our determination to be England's leading provider of telecare through delivering care as well as responsive and reliable remote monitoring services.

In the past year we entered the home care market, winning new contracts in London, Cambridgeshire, Essex, Kent and Bedfordshire.

Turnover (£m)

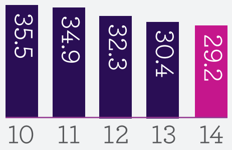
Circle Housing

333.5



Centra

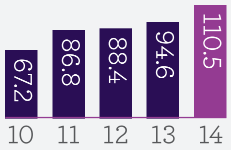
29.2



Operating surplus/(deficit) (£m)

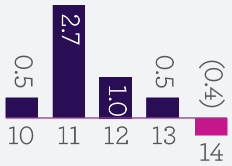
Circle Housing

110.5



Centra

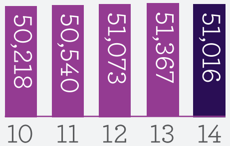
(0.4)



Property profile

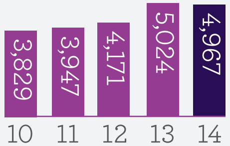
Social and affordable housing rented

51,016



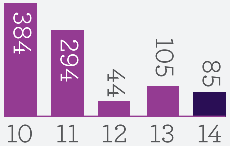
Low-cost ownership

4,967



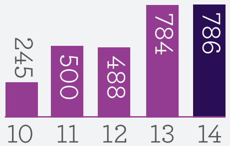
Other non-social

85



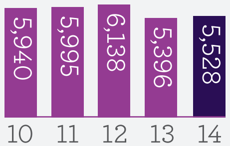
Intermediate rent

786



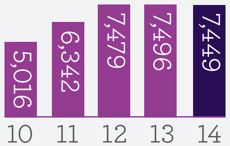
Leasehold

5,528



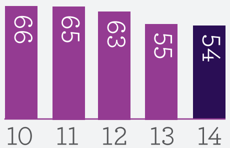
Garages

7,449



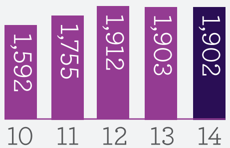
Staff accommodation

54



Market rent and similar

1,902



Learn more about our property portfolio in the Chairman's introduction from page 9.

Human focused

We put customers and people at the heart of everything we do.

Delivering social value

Last year we invested £3 million in social activities. We have three areas of focus: financial inclusion, skills and employment, and energy saving.

Highlights of our year continued

Social highlights

For every £1 invested through our social dividend we can measure a returned social value of £12.

Financial inclusion

Last year we invested £1 million to help customers manage their finances. We:

- offered our customers a financial health check to help them understand and manage their finances.
- let our customers know what support is available.
- provided advice on services and products such as bank accounts and affordable credit.

Skills and employment

We have delivered more than 10,000 skills and employment interventions. We:

- provided advice, training, work experience and ongoing support for people once in work.
- made sure all our supplier contracts include skills and employment opportunities.
- created up to 233 apprenticeship opportunities over the next 10 years through our new repairs and maintenance suppliers.

Energy saving

We helped customers reduce their energy consumption whilst staying warm in their homes. We:

- helped save customers who were in receipt of heating and insulation upgrades in 2013/14 an average of £130 per year.
- provided customers with advice to save around £250 per year on their energy bills.

Chairman's statement

Sir Robin Young

"Welcome to a new look for Circle Housing and our new brand Centra. Circle Housing provides affordable homes and services for customers, while Centra brings together our commercial activities, which aim to help people live independently for longer."

In summary

- Demand for affordable housing continues to outstrip supply, particularly in London and the South East, and East England where we mainly operate.
- As the UK population grows older, the need for individual home care and support services continues to increase.
- Circle Housing is working to grow and to strengthen our performance so we can respond to these increasing demands.
- We are helping our residents respond to the challenges of welfare reform, and this work will intensify as Universal Credit is rolled out.
- Robust governance and financial arrangements continue to underpin everything that we do.

Our vision is to provide people in need with greater opportunities for independent, affordable and secure living. Where we can make financial surpluses, we reinvest them in development, regeneration and important services to benefit our customers.

We are on track to deliver all the new homes we promised under the Government's first Affordable Homes Programme. We have also submitted strong bids for further developments under the second programme. Government grant in support of both these programmes has been very substantially reduced. As a result, Circle Housing, like other housing associations, can only afford to continue to develop new homes by reducing our costs and by increasing our income from other activities.

Chairman's statement continued

We have a comprehensive strategy in place to bring about value for money savings. We are also increasing our commercial activities, largely so far by developing mixed tenure homes. Here, proceeds from market sales or rents, together with shared ownership sales, can be used to fund more homes at affordable rents.

The social care and support market is facing similar issues of increased demand and reduced Government funding. Local authority and NHS budgets are under a great deal of strain. The challenge for Centra is to find ways of helping to deliver the co-ordinated healthcare and social care services which the Government is seeking. The need for the type of telecare and care services provided by Centra is set to grow dramatically and, together with our revised business plan, bring Centra back into profit.

We must now help care providers to think innovatively and to make the most of new technologies so as to enable people to live independently for longer and at a lower cost.

Our wider mission is to enhance the life chances of our customers. This year we have been focusing particularly on helping residents respond to the challenges of welfare reform. We have identified and contacted all our residents faced with reduced benefit income as a result of the changes so far. We have offered our customers advice on managing their budgets, finding work, reducing energy bills, and exchanging their home for a smaller one. There are encouraging signs that we have made a real difference in helping our residents respond constructively, and as a result our rent arrears have not increased.

We are now preparing for the roll-out of Universal Credit, where tenants on housing benefit will have a new responsibility to pay this directly to their landlords. We are currently working with the Department of Work and Pensions on a new scheme to test how households are likely to adapt to this next big reform.

This is just one example of the work we are doing as we put our customers at the heart of everything we do.

I am glad to confirm that this report shows that the Group is financially secure, with good operating margins and a strong liquidity position. There are, and always will be, external and internal challenges but we are in a strong position to tackle them.

We could not achieve this without strong governance arrangements and the unstinting support and contributions of all those on Circle Housing's Boards. I would like to thank all my colleagues in the Group, the senior executives, the staff and all my fellow non-executive Board members for everything they have done this past year to benefit our customers and further Circle Housing's success.

Sir Robin Young
Chairman

Group Chief Executive's review

Mark Rogers

"The last year has seen a real change in our business so that we can continue to maximise the investment in our homes and achieve the highest possible results with our social dividend."

In summary

Group
- We delivered a solid performance in a difficult economic and market environment; we remain in a strong financial position with a well-funded capital investment programme.

Circle Housing
- We implemented the largest repairs and maintenance procurement in our sector's history and maintained rent arrears levels of just 2.8%.

Centra
- All our commercial businesses have been combined under one brand name. Our care and support businesses are now better positioned to offer their services together.

Against a background of welfare reform and tighter financial budgets, we have performed well, making considerable progress. We have kept our strategic focus on providing more and better services to our customers, developing homes and regenerating communities, and driving efficiency through the business. Circle Housing remains in a strong financial position with a well-funded capital investment programme.

To be a leader in our industry we have to do far more than simply provide homes. We must support our customers to ensure they remain or become independent. We must also provide services that enable people to stay in their homes for longer.

Group Chief Executive's review continued

Investment in social activities

£3m

New home starts in the last year

1,303

In response to welfare reform we have carried out extensive research to understand how it will impact our customers and how our organisation needs to change. Of the three big welfare reforms (see page 16) so far the benefits cap and the spare room subsidy have been introduced. Up until now we, and our customers, have been relatively resilient to the changes. We continue to support our customers in a range of ways, including providing financial support, employment and skills services, and promoting our home swapping scheme.

We are still unsure how soon and how much our customers will be affected by the third big welfare reform, Universal Credit.

This is expected to be phased in between now and 2017. We know just how important it is to manage the change carefully and we will continue to provide support to our customers. We also need to manage the performance of the business by keeping rent arrears at current low levels.

There are several reasons we want to improve the efficiency of our business even further. We need to ensure we are in a strong financial position to absorb any impact that welfare reform may bring. We also need to deliver good returns so that we can reinvest in homes, either by making them more efficient or by building new ones.

Bringing in the new repairs and maintenance (R&M) service is hugely important to improving our efficiency. This was the largest R&M procurement in our industry's history. As with any major project, we expected challenges as we moved over to the new providers. It has taken longer than we anticipated for the new services to be put in place and this has, in the short term, affected customer satisfaction. We are working hard to bring these back to former levels.

Most of the issues have been resolved and we now have a service that could achieve more than £100 million cost savings over 10 years.

We have reorganised our commercial businesses, including telecare, care and support, and the property agency and management business under the Centra brand. The business has been made more efficient by combining office space and introducing a new business-wide telephony system. While making these changes we have kept the business local and personal. We are looking to increase the profitability of the business by increasing the number of private customers and by offering joint telecare and care and support services.

Development and regeneration continues to play an important part in our business plan. The Orchard Village regeneration programme continues to thrive. Meanwhile, we are currently consulting with residents and stakeholders about proposals for a major regeneration of three estates in Merton. If this goes ahead, it will involve rebuilding more than 1,200 homes. We are also improving the energy efficiency of all our homes and have clear targets in place.

In the last year we completed nearly 400 new affordable homes, started building over 1,300 and now have more than 3,300 homes in our development pipeline. The total number of properties we now own is similar to last year at over 70,000.

Last year we invested £3 million in social activities through our social dividend. We are now able to robustly evaluate the impact of this investment. Circle Housing is one of the first housing associations to develop its own model for measuring social return on investment (SROI). We were delighted to win an award for our model at the Housing Association National Accountancy Awards. With our model we have been able to measure an SROI of £34.74 million for 2013/14. This is a return of £12 for every £1 invested.

The SROI model is vital to us because it strengthens our position in securing public service contracts and assists us in allocating our social dividend where it can be most effective. It will play an important part in the 2015 to 2018 Government funding rounds as it shows just how much additional value our services provide.

With a strong performance, financial stability and clear strategy in place, we will continue to use our size to improve efficiency. We will also be investing in our people so that we can continue to attract and retain the very best talent. This will all ensure that we can continue to support our customers and invest in activities that improve their life chances. I want to thank all my colleagues and partners for their hard work and look forward with confidence to the year ahead.

Mark Rogers
Group Chief Executive Officer

Social return on investment for 2014

» Read more about how we calculate our SROI in our social value section starting on page 34.

Changing the way we work

We are improving customer service, making the business more efficient and strengthening our leadership. We are doing this so that we can build more affordable homes and provide more services.

Our business model

Our business model works for our customers, investors and other stakeholders because we are both commercial and caring in our outlook.

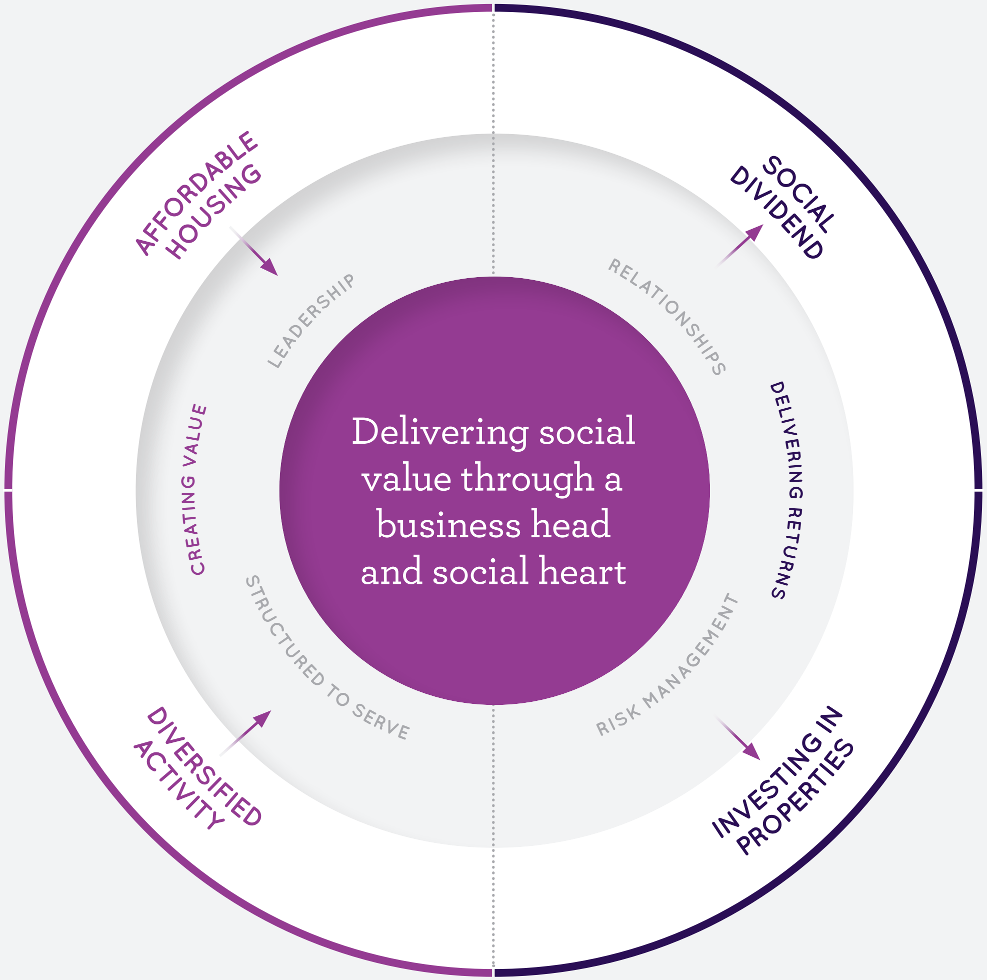
We have two main areas of income:

Affordable housing

We provide a range of affordable housing to people in housing need. This includes social housing, affordable rent, sheltered housing and shared ownership.

Diversified activity

We provide commercial services that help our customers live independently and stay in their homes for longer. We also sell a small proportion of our properties on the open market.



Our surplus is used in two ways:

Investing in properties

We continually invest in our existing homes. We also build new affordable homes so we can help more people in housing need.

Social dividend

Every year we put aside a portion of our surplus towards social activities. This is our social dividend. The more surplus we make, the more social dividend we are able to invest.

We know that financial stability and business strength are vital if we are to deliver social value. We work as efficiently as possible to maximise the surplus we create while providing a high-quality and reliable service.

The bigger our surplus after paying interest and meeting the expectations of our investors, the more we can invest in the people and communities we support.

Circle Housing and Centra

Read more about our strategy on page 20.

Our assets in detail

LEADERSHIP

We have a strong leadership that will take the organisation through a period of internal and external change.

Read more about our leadership on page 24.

STRUCTURED TO SERVE

We do everything we can to ensure our customers live in good quality affordable homes and live independently. We are changing the structure of our business to improve services and our customers' experience.

RELATIONSHIPS

We have strong relationships with Government departments, regulators, local authorities, financial investors, our peers, our contractors, private sector developers, house builders and our communities. This ensures that we provide the services our customers want and the support they need. Our relationships can also help minimise the impact of the changes that are taking place in our sector.

Read more about our relationships on page 22.

RISK MANAGEMENT

We take a robust approach to managing risk in our business. All our commercial and development activities are carried out within strict risk parameters. We also have a strong corporate governance team and internal investigation team to ensure we minimise risk.

Read more about our governance and how we minimise risk on page 54.

Our markets

Over the last 12 months we have continued to see demand for affordable homes and our care services outstrip supply. This is set to continue in the foreseeable future.

The opportunities are clear. We have been putting in place the foundations so we can continue to provide affordable homes and services which benefit our customers. We aim to grow our share in the affordable homes sector, either by developing new homes, making acquisitions or through stock transfers. In the in-home care and support markets we aim to grow our market share by growing the number of private customers and acquiring other providers.

Here we look at the external factors that are affecting our markets and customers who live in affordable homes.

Welfare reform: the big three

1. BENEFITS CAP	2. SPARE ROOM SUBSIDY	3. UNIVERSAL CREDIT
Limits the total benefit that a household can receive to £500 a week (£26,000 a year) for couples and lone parents, and £350 a week (£18,200 a year) for single adults.	Tenants with one spare bedroom have had their housing benefits cut by 14% of their total weekly rent. People with two spare bedrooms or more have faced a 25% cut.	Combines six separate means-tested benefits – including housing benefit – into one single, monthly payment made to the tenant. This increases the importance of social housing tenants managing their own finances.

Key market developments

Affordable homes

Political and regulatory

The current political and regulatory environment is one of change in regulatory regimes, Government policies and funding streams. These changes are creating additional risks for all housing associations.

Funding cuts and reduction of Government grants

Government grants continue to reduce. This is undermining new home development plans and is forcing affordable housing providers to look to market income to replace funds previously provided by grants. A common way of increasing revenue is mixed tenure development. However, this also increases the risk to housing associations when undertaking these developments. To minimise the risk of development activity, housing associations and the private sector are working in partnership more and more.

Developers are also being encouraged to build more affordable and shared ownership homes to meet market demand. Funding cuts are creating market pressure for housing associations to make better use of their assets. This, combined with the introduction of the affordable homes regime, means that rent prices across all social housing are on the increase.

Welfare reform

Since April 2013 the Government has introduced significant welfare reforms as it seeks to cut welfare spend and encourage tenants to become more financially independent.

Regulation

Housing associations now have to demonstrate a greater level of rigour and transparency in their systems and processes. This impacts many business functions and processes including value for money, funding, financial reporting, governance and risk.

1 Shelter
2 National Audit Office
3 Office for National Statistics
4 Institute for Fiscal Studies
5 BBC – The Home Truths
6 Savills
7 Centrepoint

Economic

Whilst 2013/14 saw some economic growth, real household income remained under pressure as cost inflation continued to run ahead of income.

40%

of most people's net income is spent on housing

Cost of living

In the UK, housing costs now use up 40% of most people's net income. Energy and water bills are projected to continue to rise above inflation for the next 17 years.[1] This is creating a demand for energy efficient homes. The Government estimates that in 2012 there were 2.28 million households in fuel poverty, that is on a low income with higher than average energy bills.[2]

39%

market rents increased by in the last five years

Average income

Between 2009 and 2013 weekly earnings for those in full-time work decreased every year by 8% in real terms, so that in April 2013 they were similar to the levels seen in 2002.[3]

Households with below-average incomes are likely to have substantially lower incomes in 2015/16 compared to 2009/10 as the full impact of welfare reform comes into effect.[4]

Private sector homes

One third of Britain's private rented properties are too expensive for lower-income families[5] who are also unable to buy their own home as prices stretch beyond their reach.

Furthermore, half of our homes are in London where house prices are expected to rise 24.4% over the next five years. In addition, market rents have risen 39% in the last five years.[6] This means that a larger proportion of people in work are excluded from buying on the open market or are being forced away from inner cities.

Social

People's needs are constantly affected by changes to income, family circumstance and work.

42,000

homes a year needed in London if severe shortfalls are to be met

Population

Immigration, birth rates and an ageing population are all having an effect on the demand for housing, particularly in London. One million additional affordable rental homes are needed by 2021 with 42,000 homes a year needed in London if severe shortfalls between housing demand and supply are to be met.[7]

Demand is also being driven by the increased number of single parent households. In 2012 there were nearly two million lone parents with dependent children, an increase from 1.6 million in 1996.

Thriving communities and regeneration

People want more than just a home – they are looking to be part of thriving communities in which they can afford to live, where there are chances for employment and opportunities to extend their skills. They are also looking for communities with the infrastructure to support their lives and families.

This means that not only are new communities being created, but old ones are being regenerated.

Technology and innovation

Technology is changing the way customers access information, request services and pay for things. This is providing new opportunities for housing associations to improve services and reduce costs.

Care and support market

The need for telecare and care services, like those provided by Centra, is set to grow dramatically in the years to come.

Key market developments continued

Social care and support

Political

Providing adequate tenancy support and social care is becoming more and more challenging for local authorities and Government.

Reform

The Government is aiming to tackle the pressures of increased demand and reduced funds in a number of ways – there is clearly a political will to finding solutions to providing adequate support and care. For example, the tenancy empowerment programme is providing £2 million between 2011 and 2015 to fund support to tenants. However, local authorities are still largely responsible for providing the range of support needed to help residents in financial difficulty.

The Government is also looking to reduce pressures on the NHS through preventative and home care. This includes the introduction of the Care Bill, which represents the most widespread reform to care in several decades in terms of funding, standards and regulation.

The Care Bill will, however, introduce significant challenges for providers to plan for changes due to a lack of information, little evidence on what works and the short timescales defined.[8] It also means that whilst clinical commissioning groups and health and well being boards look to procure integrated care solutions to reduce costs, the market is likely to remain in a state of flux for at least the next two years.

The introduction of the Care Bill represents the most widespread reform to care in several decades in terms of funding, standards and regulation.

8 National Audit Office
9 Office for National Statistics
10 Nuffield Trust

Economic

Home-based care and support is more cost effective than residential care or hospital stays. However, the gap between funding and demand continues to grow.

Cost of care

Over the last 10 years, many local authorities have raised the eligibility level they set for individual packages of care, and spending fell by 8% in real terms between 2010/11 and 2012/13.[8]

The Department for Communities and Local Government is expecting local efficiency initiatives, service transformation and the Better Care Fund to help manage these financial pressures. In the meantime, local authorities are making efficiency savings by changing contractual agreements, paying lower fees and negotiating bulk purchasing discounts.

This is having a direct impact on independent providers' financial viability. One way providers are addressing this is by increasing the size of their businesses, often through acquisition, to benefit from economies of scale.

Private and informal care

Some 87% of adults now live in local authorities that arrange care services only for those with substantial or critical needs. Informal carers now provide more hours of care per week. On average carers are getting older which is putting a strain on their ability to provide support.[9]

Changes to benefits for adults with disabilities and an ageing population means that more people will be turning to private care and support. However, care users' ability to pay for their own care is also under pressure because of rising costs.

Social

Each local authority is responsible for deciding who might be entitled to funding for social care. With smaller budgets there is a concern that many more people may be left out from receiving care in the future.[10]

12.7m

people aged 65 and over by 2018

Population

Adults with long-term and multiple health conditions and disabilities are living longer. An ageing population also requires more support to stay in homes for longer. The number of people aged 65 and over is projected to increase by 23% to 12.7 million in 2018 which will pose serious challenges to the social care sector.[9]

Independence

Most people prefer the idea of home-based care and support to the alternatives such as residential homes. It is also more cost effective for private payers.

Innovation and technology

Development in technology is giving people in need of care greater flexibility and the chance to stay in their homes for longer. It also means services can be offered in new and innovative ways at reduced cost.

Our strategy

Our strategy defines the direction in which we will take Circle Housing over the next five years, the role we will play, and the results we want.

Our mission: to enhance life chances

Through our vision for the future

Provide safe and secure homes that are affordable for people with differing incomes.

Enable customers to access services through different channels which help make life more affordable.

Provide support to our customers and help them to independence. Strengthen our communities through social activities.

Grow our business and maintain our financial strength.

And enabled by our current strategic objectives...

1. Focus on efficiency

What this means

We aim to improve the quality of our service at a lower cost, by investing in people, technology and systems.

Why it is part of our strategy

The changing market environment, and the increasing need to use the capital markets for funding, means that we need to operate as efficiently as possible. This will maximise our ability to provide affordable homes and social dividend.

How we are doing it

- Restructuring our repairs and maintenance contracts.
- Streamlining internal services including finance, IT and telephony.
- Investing in our customer-facing services and encouraging customers to use products and services online.
- Making more efficient use of office space.

Our goals

- Provide improved services at lower cost.
- Realise cost savings that can be used to invest in existing and new homes.
- Reduce office space and have IT infrastructure so employees have greater flexibility and choice around where they work.

2. Pursue housing growth opportunities

What this means
We want to maintain our position as one of the largest housing associations in the sector. We want to grow by developing new homes, working in partnership with other organisations and undertaking mergers or stock transfers.

Why it is part of our strategy
With demand for affordable housing outstripping supply and Government grant cutbacks, we need to be able to offer affordable and secure homes to more people. We also need to build some properties which can be rented or sold at market rate, so that we can increase our supply of affordable homes.

How we are doing it
- Aiming to develop more than 1,250 new homes each year.
- Ensuring development plans do not contain an unacceptable level of risk.
- Selling a small proportion of our estate annually, where there is good reason to, and reinvesting the surplus in the important services we provide to our customers.

Our goals
- Deliver economies of scale resulting from growth.
- Provide quality homes that are more efficient to run.
- Develop new affordable homes, without reliance on property sales.

3. Provide more and better services

What this means
We need to provide more services to support our customers and make our services easier to access. We also need to do this at lower cost.

Welfare reform

Why it is part of our strategy
Two of the biggest tests we and our customers are facing are funding cuts and welfare reform. We need to help our customers to become more financially resilient and more independent through a range of services and support.

How we are doing it
- Acting on research to understand what our customers need and want.
- Carrying out a test-bed project to examine the potential impact of Universal Credit.

Our goals
- Minimise the impact of welfare reform on the business and our customers.
- Share our research findings with Government and give customers a voice.

Providing better and online services

Why it is part of our strategy
Supporting our customers makes business sense and offers greater opportunities for independent living. Providing our services online is more cost effective and gives our customers more flexibility.

How we are doing it
- Encouraging customers towards self-service and using products and services online.
- Gathering information on customers to provide tailored support.
- Joining up telecare, and care and support where possible.

Our goals
- Deliver services at a lower cost and more efficiently.
- Maintain customer satisfaction levels.
- Grow Centra businesses and reduce costs of delivery.

Our relationships

There are a number of themes and external factors which affect our business. The relationships we foster across our activities play an important role in enabling us to address these areas while also serving the needs of our customers.

We work with our stakeholders to help us meet the needs of our customers and identify the opportunities facing our business.

COMMUNITIES

We work with many local partners and directly with our communities to help deliver our services and social value.

We work with a wide range of organisations on diversity and inclusion.

WELFARE REFORM

We carry out extensive research to understand how welfare reform is likely to affect our customers and our business.

We are members of the Department for Work and Pensions' (DWP) Landlords' Core Group.

We have regular involvement at party conference events to raise the awareness of the issues facing our customers.

INDUSTRY REGULATOR

We have a good working relationship with the Homes and Communities Agency (HCA). We ensure that we are compliant with, and where possible go above, our regulatory requirements.

PLANNING

We have relationships with the Department for Communities and Local Government (DCLG), private sector developers and house builders to understand and take action on planning and development strategy.

We work closely with local authorities and the Greater London Authority (GLA) to help increase the number of affordable homes in the areas in which we operate.

FUNDING

We have a strong track record with the GLA, HCA and financial investors. These organisations are important in allocating funding for new affordable homes. The social return that we can demonstrate also plays an important part in our bids for funding.

We have valuable commercial relationships with banks and institutional investors, who provide an important part of our funding.

PEERS

We are members of g15, which represents the 15 largest housing associations in London, and East 7, which operates across East Anglia. We share our research and often create joint initiatives so that we can reach more people in housing need.

We are part of the European Federation of Living, a pan-European network that, as part of its work, shares knowledge to realise sustainable neighbourhoods.

REPAIRS AND MAINTENANCE

We have important relationships with our repairs and maintenance contractors: Kier, United House and Keepmoat. We entered into a 10 year relationship with them this year and the services they deliver are critical to our customers. We work closely with them to improve the repairs service and deliver community initiatives and other social dividend activities such as apprenticeships.

Understanding our customers

We carry out extensive research to understand what our customers want and need from us. Our research also enables us to understand the external pressures our customers are facing and what services and additional support they may need.

Raising the profile of issues facing our sector and customers through:

- Media campaigns
- Events and working groups
- Local awareness initiatives

Political agenda

We liaise with Government ministers, civil servants and other policy makers on the issues that affect our business and our customers. By doing this we aim to influence policy outcomes to benefit our customers and to prepare ourselves for any change.

Lobbying governing bodies and engaging with industry influencers:

- Local authorities
- DWP
- DCLG
- NHF
- GLA
- Peer group organisations
- HCA
- CIH

Case study:

London First

Circle Housing joined London First in July 2013. Its mission is to make London the best city in the world in which to do business. It aims to influence national and local Government policies and investment decisions which support London's global competitiveness.

Having a wider understanding of the issues facing people living in London is very important to us and our customers. Joining the group also builds our network and helps us to contribute to the city where we have 50% of our homes.

Since joining we have:

- attended a Chairman's breakfast to raise the issue of the shortage of affordable homes in London
- distributed a report about truths on social housing tenants and helped change commonly held misconceptions
- had real input into development and planning policy
- distributed research on the effect of welfare reform to business leaders and policy makers
- provided insight to employers about housing issues for employees.

Our people

We are proud to have a workforce that is committed to our values and to our mission to enhance the life chances of our customers. We employ 2,300 highly knowledgeable colleagues who work together to provide exceptional services to our customers.

We have been making some important changes to our work culture and investing more in our people. It is important that we do this so that we can adapt to the changing market.

Last year more than 1,700 colleagues received special training to communicate our values internally and externally, as well as to provide a consistently excellent service to our customers. Our 'Customers and People at the Heart' programme was rolled out through 69 seminars to reach colleagues at all levels.

Workplace equality

In the 2013 Stonewall Workplace Equality Index we obtained 138th place out of 369 (2012: 244th place) and a silver award in our first Opportunity Now and Race for Opportunity benchmarking survey.

Leadership

We have been working hard to strengthen the leadership across the business. Last year, we held three events on this subject as well as a series of thought leadership and master class sessions. These events were designed to improve understanding, performance, engagement and team working among colleagues. We also ran the 'Circle Management Development Programme', which last year helped 35 colleagues improve their management skills.

94%

of colleagues attending our leadership events feel they have an opportunity to contribute to the Group's strategy

Talent development and training

We are constantly looking at how we can help our colleagues perform to the best of their ability. We have recently improved the way we train our people and how we evaluate our training programmes. We now ask participants and their managers to show how their learning has influenced the way they work.

We have also brought in new processes for talent and succession management, and, where possible, we aim to promote people internally. This has led to year-on-year increases in the number of internal promotions, and reduced the time it takes to fill vacant positions. Last year we sponsored 20 colleagues to work for a professional qualification, put 13 colleagues through a health and social care diploma, supported six colleagues through an introductory course to teach and train adults, and saw 750 delegates attend external training events.

25%

of Circle leaders were promoted into new roles in 2013/14

Recruitment and staff retention

We want to ensure that we recruit and retain the very best people. We have created a graduate programme to bring in the next generation of leaders, while those already employed by Circle Housing can benefit from internal secondments.

Over 2014/15, we will be introducing secondment opportunities with other external companies, giving our colleagues new exciting opportunities to widen their skills and experience. Our partners hold their own Employee of the Year Awards annually to reward high-performing staff.

76

new diversity champions appointed

The working environment

The workplace can strongly influence people's decisions to join and stay with an organisation. We plan to reduce our office space, which will bring about significant cost savings. We are planning to increase used desk space, improve the look and feel of our offices and reduce our environmental impact. By investing in technology, we will enable many employees to work from any location, which should also help to increase productivity and staff satisfaction.

Diversity and inclusion (D&I)

In 2013 we developed a more structured approach to diversity and inclusion (D&I), so it is now part of our business processes.

Amongst other initiatives, we introduced 76 Diversity Champions and three D&I network groups. These are the BAME (black, Asian and minority ethnic) Group, the LGBT (lesbian, gay, bisexual and transgender) Group, and the Health and Wellbeing Group. The groups organise awareness events, publish information for staff and host live discussions on our internal social networking site. They also contribute to HR specific objectives.

All Circle Housing and Centra employees now receive face-to-face diversity awareness training to supplement our mandatory e-learning courses. We also produce quarterly reports to look at the profile of our residents, staff and Board members. This helps us to ensure that we are representative of the communities we serve.

Our partnerships with organisations such as The Albert Kennedy Trust, Time To Talk, Together for Mental Wellbeing, RNIB, Action on Hearing Loss and Guide Dogs continue to grow. We have also strengthened connections with existing charities such as Race for Opportunity, Opportunity Now and Stonewall.

Improving the way we work

By investing in technology, we will enable many employees to work from any location.

Our performance

Last year we began to make significant operational and cultural changes at Circle Housing to enhance the life chances of our customers further.

We did this against a backdrop of significant external reform to welfare and Government funding. We put in place the foundations of a five year vision that allows us to continue to invest in affordable homes well into the future and brings about wider social benefits to our communities and customers.

Group turnover (£m)

362.7

Operating surplus (£m)

110.1

Measuring performance

We measure performance of the Group with a set of key performance indicators, which can be found on **pages 27 and 30**.

Our immediate priorities were preparing ourselves and our customers for the impact of welfare reform, and reducing operational costs by becoming more efficient, including the introduction of the new repairs and maintenance contracts. Ensuring our assets are performing as efficiently and productively as possible has also been a key priority.

We have achieved a lot during this time of change. We have firmly established a culture where customers and people are at the heart of everything we do. We have improved the way we recruit, train and retain colleagues. New processes for talent and succession management have been put in place. Skills to support colleagues to manage change effectively have been extended.

More detail on this can be found on **page 24**.

During the year we continued to look for potential acquisitions, partnerships and stock transfers, within strict return on investment criteria, which would provide both Centra and Circle Housing with further opportunities to bring services together and reduce costs. We acquired Prime Care Community Services in July 2013. This provides us with an increased presence in the home care sector as well as a team with experience of delivering Care Quality Commission three-star 'Excellent' service.

We have also focused on providing outstanding value for money. A similar approach has been taken to the way we measure our social return on investment (SROI). We have developed an industry-leading and award-winning methodology to measure the overall social dividend generated by the services we provide to support our customers.

See our social value report on **page 34** and value for money report on **page 42**.

Headline performance

Group revenue for the year increased 4.9% to £362.7 million (2012/13: 345.9 million). Operating surplus grew to £110.1 million (2012/13: £95.1 million) with the operating margin increasing to 30% (2012/13: 27%). This growth in operating margin reflects our success in reducing operating costs and an increase in the development of new homes for private sale or rent. It also reflects a net under-spend of £6.8 million as a result of delays in some repairs and maintenance works.

Circle Housing

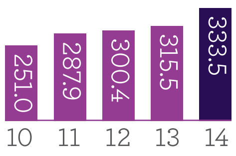
The last year saw the most intense period of activity Circle Housing has ever witnessed.

We began to put in place our new repairs and maintenance service, rebranded the business, undertook an extensive review of how our assets are performing, and began consultation for what may be the largest estate regeneration programme undertaken in the history of the Group.

Housing turnover, which includes one extra week of income compared with 2012/13, was £333.5 million (2012/13: £315.5 million) of which rental income accounted for £315.7 million (2012/13: £296.5 million). Operating surplus was £110.5 million (2012/13: £94.6 million) as a result of the introduction of operational efficiencies and an under-spend relating to delays in the embedding of the repairs and maintenance contracts.

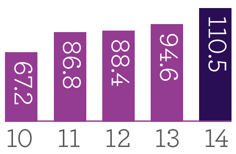
Turnover (£m)

333.5



Operating surplus (£m)

110.5



Housing management

Current rent arrears

The percentage of rent owed by current tenants compared to the annual rent charge was 2.8% (2012/13: 2.8%). This was a very pleasing result considering the increased financial constraints experienced by many of our customers. It is a testament to the hard work and efforts made by our employees in supporting our customers through welfare changes.

Keeping rent arrears at the current low levels may become a greater challenge as we see the phasing-in of Universal Credit. As discussed on page 35 we are working hard to support customers through welfare reform and have made a bad debt provision of £10.3 million (2012/13: £9.1 million) for 2014/15.

Read more about how we are working to support customers through welfare reform from page 35.

2.8%

We have maintained our rent arrears level at just 2.8% despite economic challenges

General needs KPIs

	2012/13 year end position	2013/14 year end position
Current tenant arrears	2.8%	2.8%
Rent and service charge collection	100.6%	99.9%
Re-let time	20.9 days	33.3 days
Vacant (and available to let)	0.92%	0.97%

Our performance continued

Circle Housing continued

Housing management continued

Average re-let time

In response to the increase in time taken to re-let void properties in 2013/14 we commissioned an internal audit review. The report concluded that this was related to delays as a result of our new repairs and maintenance contracts being implemented.

Homes that are vacant (and available to let)

The relatively minor deterioration in this performance area was linked to the difficulties described above. In particular, the proportion of our vacant homes being advertised ahead of becoming vacant fell. This was due to the uncertainty as to whether void repair works would have completed before targeted tenancy start dates – properties remained empty for longer periods.

As discussed on page 29 work is already underway to improve this situation.

Meeting Decent Homes Standard

All of our social housing complied with the Decent Homes Standard apart from 6,314 homes which came across to Circle Housing in a stock transfer and have dispensation until December 2015 to meet the required standard.

House Exchange

As a housing provider we have a responsibility to ensure that our customers are living in homes that best meet their needs. Circle Housing's online House Exchange service, www.houseexchange.org.uk, is one way we address this. As the UK's leading not-for-profit property mutual exchange service, the website had almost 230,000 homes listed at 31 March 2014 (compared with 140,000 in November 2012) and around a quarter of a million visitors each month.

The introduction of the spare room subsidy in 2013 saw a large increase in the number of people registering who were looking to downsize, with 52,000 under-occupiers registered in November 2013 compared to 34,750 in the previous year. Nearly 40% of all current registrants on our service are looking to increase the size of their property as compared to 13% who are looking to downsize.

52,000

under-occupiers registered in November 2013 on our House Exchange service

Energy efficiency

Whilst the price of energy continues to rise and as many of our customers face reduced incomes, it is important we provide homes that our residents can afford to run. Energy also represents a substantial element of our operating costs and affects our overall performance.

Circle Housing has an ongoing programme of work to improve the energy efficiency (SAP rating) of our properties. SAP is measured on a scale of 1–100, with 100 showing the best performance. We aim to have an SAP rating of 70 and above for 95% of our homes and offices by 2020. Circle Housing plans to spend £18 million improving the energy efficiency of our customers' homes each year.

Last year, we made further progress in improving energy efficiency of our existing homes. This included a £1.8 million transformation of an estate of 74 homes in Leatherhead through the replacement of windows, doors and external wall insulation. We have also starting building the largest social housing Passivhaus scheme in the UK.

Repairs and maintenance

Our new R&M service involved the largest procurement in our industry's history. It aims to provide a high quality consistent service that was not possible under the old system.

Through customer support and educational initiatives we have been helping our customers reduce the amount of energy they consume whilst continuing to stay warm in their homes.

More information can be found in our social value report on page 34.

Repairs and maintenance (R&M)

One of our critical priorities for the year was the implementation of new contracts for delivering R&M across Circle Housing. We moved from over 200 locally managed contractors to just six organised on a regional basis. This includes our own in-house provider for responsive repairs, Circle Housing Property Services, which services two of our group partners. This has been a high profile £1.2 billion procurement programme which has delivered £5.3 million in cost savings in the current year and is expected to bring over £100 million of cost savings over 10 years.

Managing change of this scale and complexity has brought about a number of short-term challenges which we are determined to address as swiftly as possible. The challenges we have faced include bringing together a group wide IT system, introducing new processes, and reorganising and training colleagues at local and regional level. Resolving these issues is a real priority for Circle Housing and we have dedicated considerable internal resources to overcome any remaining issues.

We expect to see an improved customer experience and a consistency of service that was not possible under the old system. To improve customer experience further we have appointed R&M liaison managers to act as go-betweens for customers and contractors. This will encourage greater dialogue and communication. It will also give customers more say and choice on repairs and refurbishments being carried out.

Developing new homes

There are now more than 3,300 homes in our development pipeline. We plan to start building 1,250 new homes each year.

Our performance continued

Circle Housing continued

Housing management continued

Repairs and maintenance (R&M) continued

We have also begun to improve the way we carry out planned capital repairs and maintenance works. In the past we carried out sample surveys to ensure that planned works were necessary and to identify additional works that may not have been logged. Data is now collected continually through pre-works surveys to check what works are needed. This ensures we optimise our assets and investment in our properties, and allows us to prioritise works.

Customer satisfaction

We are acutely aware that independent measures of overall customer satisfaction levels and customer satisfaction with repairs were hit hard by the problems faced last year. Our ability to complete emergency and urgent repairs within the prescribed time was also impacted. These figures fell short of our own and our customers' expectations. Embedding the new contracts and getting back on schedule with planned and responsive works is a major priority for Circle Housing.

General needs KPIs

	2012/13 year end position	2013/14 year end position
Customers satisfied with services provided by landlord – general needs (quarterly)	83.1%	66.7%
Emergency and urgent repairs completed within time band	NA	75.8%
Tenants satisfied with the way landlord dealt with their last repair (monthly)	91.8%	88.8%

> “We have begun consulting with residents about the possible regeneration of three large housing estates in the London Borough of Merton.”

Asset management

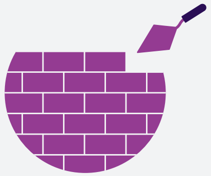
Last year, we made significant strides in developing a more thorough understanding of how our asset base performs.

In conjunction with Savills, we have introduced a new model which identifies problem assets and enables us to consider how they will be used in the future. The new approach has led to the formal annual asset review programmes across our portfolio. These programmes are expected to result in property disposals as well as changes in tenure to shared ownership and market rent where appropriate. The additional proceeds and efficiency savings generated will give us the means to build more modern homes fit for future housing need.

Development

Development of new homes is an important part of our strategy: we seek to build more affordable homes to meet demand and replace old inefficient homes with new high-quality housing. We work with the public and private sectors to increase supply. We are also committed to mixed tenure developments, building homes for market rent, shared ownership and market sale. Accordingly, we expect to see a shift in mix to a greater proportion of market rent homes as our portfolio grows.

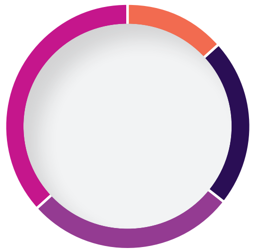
We started building over 1,300 homes under the Affordable Homes Programme (AHP) for 2011–2015. Under the programme we also completed nearly 400 affordable homes. We are now on track to hand over more homes than were in our original AHP 2011–2015 contract and all homes delivered under the programme will be handed over in 2014/15.



1,300

Number of homes we have started building under the affordable housing programme for 2011–2015

Cumulative completions as at 31 March 2014



- Social rent 106
- Affordable rent 85
- Sheltered/supported 51
- Shared ownership 139

There are now more than 3,300 homes in our development pipeline and we are looking to start building up to 1,250 homes each year going forward. We have submitted bids for the AHP 2015–2018 which will increase our development programme further.

Regeneration

In 2013, we began consulting with 1,200 households from three neighbourhoods across the London Borough of Merton about the possibility of regeneration.

Following feedback, we are now working with three teams of architects to explore proposed design options. The architects will work with local residents throughout 2014/15 to create master plans for the new neighbourhoods. Proposals for this major regeneration scheme will include the provision of new homes, public open space and community facilities.

Meanwhile, work continues on Circle Housing’s £80 million flagship regeneration scheme in Rainham, London Borough of Havering, which will ultimately provide 516 new high-quality homes for local people. The transformation of the 1960s sink estate has seen most of the existing properties, including six tower blocks, demolished and replaced with modern high quality low-rise homes, many with private gardens, and all with well-designed communal open spaces. Phase three of the scheme will involve the development of a new community square, bringing together community facilities, retail and commercial space, as well as transport links and recreational opportunities.

Our performance continued

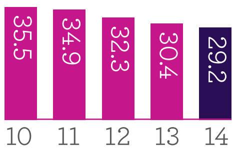
Centra

During the year we reorganised all our commercial business under the Centra brand. This incorporates the telecare and care and support businesses, as well as the property agency and management businesses.

Centra's operating deficit was £0.4 million (2012/13: £0.5 million surplus) on turnover of £29.2 million (2012/13: £30.4 million). The top-line growth forecast was behind last year's and the deficit was largely due to the anticipated reduction in Supporting People income (£1.7 million). The business has responded by winning a number of different contracts which are Care rather than Support funded and these will bring additional income as the contracts become fully mobilised. We anticipate that Centra will return to making a profit by 2015/16.

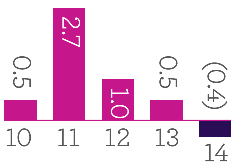
Turnover (£m)

29.2



Operating (deficit)/ surplus (£m)

0.4



Telecare, care and support services

Last year, we worked hard to grow the profile of the telecare and care and support business within the Group and externally. The business provides in and out-of-home telecare and lone worker solutions, and provides care to people in their own homes.

The increasing needs of an ageing population combined with ongoing funding cuts means we need to think innovatively about the care and support we provide. To help people live independently for longer, we also need to deliver services at lower cost. Technology provides real opportunity for this, and we are well positioned to take full advantage of the benefits that innovation can offer.

We continue to be engaged with NHS England's Technology Enabled Care Services work (formerly the 3 million lives campaign). This initiative promotes the integration of technology, including telecare and telehealth within the NHS and social care. It reflects our own aspirations around joining up our care, support and assistive technology divisions to deliver more integrated services.

Centra Connect and Centra Pulse

2013/14 was a year of significant change for the telecare business. The business adopted new branding, moved offices, restructured and introduced several new services to its portfolio. We now help more than 100,000 people live independently through cutting-edge technology with a team of highly trained monitoring staff.

During the period we retained the majority of our existing contracts and added a further 3,600 connections for Guinness Partnerships. We also welcomed a number of new call handling contracts with a total value of £150,000 from partners including Osbournes, Bournemouth Churches Housing Association, Catholic Women's Housing Association, Viridian Housing and Spectrum Housing Group.

Turnover from telecare was £4.5 million (2012/13: £4.7 million) with an operating surplus of £0.2 million (2012/13: £0.3 million). During the year we have been placing particular emphasis on improving the service and operating margins of the business. This has cut across the entirety of the business.

In August 2013, we reorganised our account handlers and streamlined our operations to bring consumer and corporate accounts under one roof. We appointed named account handlers to increase accountability and provide a first line of support, with the aim of delivering focus and value through regular communications, meetings and check-ins. We expect this new internal structure to reduce running costs in the long term. The business has benefited from efficiencies brought about by new technology, processes and an integrated telephony system.

New technology has played an important part in our development in the last year and will continue to do so in the future. Our cutting-edge monitoring platform, UMO, allows us to host the latest technologies and applications. The platform has also enabled us to sell our services to specialist markets. Some examples of these include GPS solutions, automated welfare checks and telehealth.

Our Mobile Telecare service provides 24/7 support for vulnerable people

We recently launched Mobile Telecare, a 24/7 service for vulnerable people who do not want to move into residential care and who are living with long-term conditions such as dementia. The service, which works like in-home telecare, uses GPS through a watch-like device to provide reassurance and access to support when out of the home.

Centra Care and Centra Support

The last year has been one of transition for the care and support businesses as the new home care contracts were mobilised to help replace local authority cutbacks in Supporting People contract.

There was a focus on efficiency and a significant restructure started which will place the business in a stronger position over the next few financial years. Quality of service remains a key consideration. Turnover for the year to 31 March 2014 decreased slightly to £18.8 million (2012/13: £19.4 million) including £3.9 million from Prime Care since its acquisition in July 2013.

Although we generated a deficit in the year of £1.3 million (2012/13: £31,000 surplus), the acquisition of Prime Care strengthened our position in the home care market. It has also provided us insight into differing operating models used by landlords and home care providers and this is being applied elsewhere in care and support.

The business is now well placed if care and health budgets become integrated and can offer a wide range of complementary services, from Telecare through to care in the home. During 2014/15 we will proactively work with appropriate 'pioneer status' local authorities such as Kent to try and achieve this.

The division continues to seek and pursue potential acquisitions within strict return on investment criteria. We are aiming to target businesses that will provide us with additional scale within our targeted geographical areas.

Centra Agency, Centra Living and Centra Homes

Centra Agency, which provides an active sales programme consisting of both shared and private ownership, sold 349 properties on behalf of Circle Housing in the year to 31 March 2014, providing a net surplus to the Group of £10.5 million. This is expected to increase in the next year as more new homes are completed. Centra Living, which provides management services to over 13,000 leaseholders, shared ownership and private rent properties, has successfully focused on increasing the number of contracts it holds outside of Circle Housing. Turnover for the division was £5.9 million, delivering an operating profit of £0.7 million.

Social value

Last year, we were able to invest £3 million from our surplus into social activities.

This is our social dividend. We have three main areas of focus where we believe we can make a real impact and provide the greatest value to our customers. These are financial inclusion, employment and skills, and energy saving.

The Social Value Act has brought about a big change to the way public services are procured and commissioned. Organisations like Circle Housing now have to show the value of their services in terms of the benefits they bring to communities and the savings they make for the taxpayer. In doing so, we increase our chance of winning new contracts.

12×
return on investment of £3 million (2013/14)

£34.7m
SROI in 2013/14

How we measure our performance

Circle Housing is one of the first housing associations to have developed its own model for measuring social return on investment (SROI). We use this to measure the impact of our social activities. We are now obtaining accreditation for our model for the Social Value Quality Mark.

The model has two clear strands: financial inclusion and employment and skills. We also help our customers and colleagues to save energy, which is not included in our model but will be included next year. Our model reflects up to one year of benefit to show real and measurable impact.

As a result, Circle Housing is able to invest in activities which deliver a real social return based on local needs. We can measure this consistently and learn from positive or negative results. It also helps us to decide where to focus our social dividend budget for the following year.

Results

Total cost for sustainable communities incurred (staff and programmes)	£3,000,000
Value obtained in kind through projects	£416,152
Value obtained in external funding through projects	£233,046
Value based on currently valuable interventions	£34,093,893
Total SROI for sustainable communities	£34,743,091

For every £1 invested, there is a returned social value of £12

More detail on how we create value can be found in our value for money discussion starting on page 44.

Financial inclusion

8,275
interventions (2013/14)

In 2013 we carried out research to understand how our customers are likely to cope with the introduction of Universal Credit. We discovered that 51% of our residents were not aware that the current benefits system will be replaced, 57% were not aware that their rents would no longer be paid directly to the landlord and 62% were unaware that their benefits would be paid monthly. We also learned that 90% of our customers would wait until we contacted them if they had difficulty paying their rent.

A major priority for Circle Housing, therefore, is to work very closely with customers to help them manage their money.

Circle Housing invested £1 million last year in financial inclusion services to help residents manage their finances and deal with their debts, and to help put money back in their pockets.

Across Circle Housing, our dedicated financial inclusion teams continue to help residents to access relevant support services in three main ways:

- Through a financial health check, we help customers to understand their finances and know what support is available, for example, accessing money advice or using our benefits calculator.
- We try to prevent any problems arising in the first place by supporting customers to proactively manage their finances and effectively use services and products such as bank accounts and affordable credit.
- If our customers get into financial difficulty we also support them to access specialised support services such as debt advice.

Energy saving

We help customers reduce the amount of energy they consume whilst continuing to stay warm in their homes.

Meanwhile our Resident Energy Champions (trained volunteers) provided information to nearly 2,000 households. This could help save residents up to £250 per year by reducing the amount of energy they use. We have partnered with the National Housing Federation to provide customers with a free and impartial energy tariff switching service. Circle Housing's My Home Energy Switch has collectively saved customers and colleagues around £45,000 in 2013/14 or an average of £130 per switch. Almost 17,000 residents over the age of 65 received advice about staying warm last winter.

Benefiting customers and communities

Helping people to find work benefits our customers, our communities and our business.

Social value continued

Employment and skills

10,249
interventions (2013/14)

Our Employment and Skills (E&S) programme is all about helping our customers and the local community into training and sustainable employment. Helping people to find work benefits our customers, our communities and our business. Customers who have a job are in a better position to manage their money, become more financially independent, and pay their rent. Being in work also improves individual and family health and well being, increases confidence, and generates a sense of belonging.

The programme provides a range of support from advice and guidance, through to training, work experience and ongoing support once in work. We aim to provide customers with a service that suits their individual needs, improves their confidence, and increases their ability and chances of getting into work.

All of our contracts, such as office cleaning, legal, information systems and technology and development, now include social value expectations. Under our repairs and maintenance procurement, each contractor has committed to provide one apprenticeship opportunity within their business for every £0.5 million that Circle Housing spends with them. This means up to 233 equivalent apprenticeship opportunities could be created over the 10-year lifespan of the new contracts. In addition, our contractors can offer up to 77 graduate placements or internships, 309 work placements and 166 volunteering opportunities within their businesses.

Executive Director (Finance)'s review

Robert Kerse

> "The last year saw another robust financial performance with our key financial indicators maintaining their upward trend."

Income and expenditure account

Our net surplus for the year was £44.5 million (2013: £24.9 million) and the operating margin on housing activity rose from 30% to 33%. The growing rent roll and a moderate increase in surplus on the sale of fixed assets to £14.6 million (2013: £9.5 million) have both contributed to the increase in net surplus, as has improved service charge collection. There was also an under-spend in repairs and maintenance as our new contracts were mobilised.

The increase in house sales was largely driven by an increase in the volume of Right To Buy sales following the Government's increase in discounts, as well as increases in the value of the properties. In addition, a surplus of £1.1 million (2013: £0.4 million) was generated from properties developed for sale, an activity that we are likely to increase over time.

The increase in house sales, together with staircasing during the year, was the primary reason for the slight decrease in the numbers of homes owned.

Summary group income and expenditure account

£m	2014	2013	2012	2011	2010
Turnover	362.7	345.9	332.7	322.8	286.5
Cost of sales	(6.7)	(9.2)	(18.6)	(22.5)	(52.8)
Operating costs	(245.9)	(241.6)	(224.7)	(210.8)	(166)
Operating surplus	110.1	95.1	89.4	89.5	67.7
Operating margin	30%	27%	27%	28%	23%
Surplus on sale of fixed assets	14.6	9.5	3.3	4.9	6.0
Net interest and other financial income	(79.6)	(78.8)	(71.1)	(70.5)	(69.8)
Other	–	–	–	4.2	9.0
Surplus after tax	44.5	24.9	21.4	28.1	12.4

Executive Director (Finance)'s review continued

Centra
Excluding gift aid, revenues from Centra, our care and support business, decreased 4% to £29.2 million (2013: £30.4 million) including nine months' contribution of £3.9 million from Prime Care, the home care provider acquired during the year. This transaction is part of our continued strategy to replace the traditional income and profit from Supporting People, which we anticipate will continue to diminish in the near future, as well as to keep people in their homes for longer.

Group debt
Group interest payable and similar charges increased from £83.2 million to £90.7 million due to the restructure of the Group's derivative portfolio (discussed below) and a lower level of capitalised development expenditure as a result of slower than anticipated development spend. Despite this, interest cover improved during the year. Interest receivable and other related income increased from £4.8 million to £11.8 million, due to larger cash and money market deposits than in the previous year.

Group debt was £1,799.9 million at year end (2013: £1,766.9 million), but gearing fell from 51% to 50% due to a greater proportionate increase in consolidated funds.

See page 40 for a more detailed discussion of our debt.

Cashflows
Net cash inflow from operating activities for the year was £162.9 million (2013: £106.6 million). This was due to the increase in operating surplus as well as the net movement in debtors and creditors, largely due to an increase in borrowings.

Housing activity – key indicators

£m	2014	2013	2012	2011	2010
Turnover	333.5	315.5	300.4	287.9	251.0
Operating surplus	110.5	94.6	88.4	86.8	67.2
Operating margin	33%	30%	29%	30%	27%
Surplus	44.7	24.5	21.0	25.6	12.7

	2014				2013	
	Units	Proceeds	Cost of sales	Surplus	Units	Surplus
First tranche shared ownership sales	64	£4.5m	£3.3m	£1.2m	179	£1.6m
Rented properties	121	£13.3m	£7.7m	£5.7m	47	£2.7m
Staircasing	140	£13.5m	£7.4m	£6.0m	90	£2.7m
Developed for sale	13	£1.6m	£0.6m	£1.1m	31	£0.4m

Centra – key indicators

£m	2014	2013	2012	2011	2010
Turnover	29.2	30.4	32.3	34.9	35.5
Operating (deficit)/surplus	(0.4)	0.5	1.0	2.7	0.5

Group debt – key indicators

	2014	2013	2012	2011	2010
Interest cover	188%	181%	181%	170%	109%
Operating cashflow to interest	1.85:1	1.27:1	209:1	1.22:1	1.54:1
Gearing	50%	51%	52%	50%	52%
Available bank funding	£520m	£544m	£580m	£467m	£438m
Free security	+£1.5bn	+£1.5bn	+£900m	+£1.1bn	+£1.2bn

Net capital expenditure increased to £94.1 million (2013: £74.8 million) primarily as a result of the reduction in grants and an increase in the development and acquisition of new homes as the 2011–2015 Affordable Homes Programme began to deliver more of the 1,425 committed homes.

Overall, net cash outflow before financing was £23.5 million (2013: £52.8 million), and cash and deposits increased by £12.2 million (2013: decrease of £19.2 million). Cash generation is a priority for the Group and this is embedded in our financial strategy which aims to deliver an EBITDA-MRI of 100% over the next two years, increasing further beyond this.

Properties

As at March 31 2014, the Group owned 71,787 properties (2013: 72,136). Of these, 51,016 are classified as social and affordable rent which generated income of £302.3 million at an average weekly rent of £114. Other properties generated income of £38.5 million at an average weekly rent of £33.

As at 31 March 2014 the total value of our properties was £3,185.5 million (2012/13: £2,886.2 million) as independently valued by Savills (UK) Limited. This compares to a net book value of £2,152.0 million, carried in our balance sheet.

Properties

£m	Net book value	EUV-SH[1]
Rented housing	1,895.1	2,873,488
Shared ownership	256.9	289,325
Other	—	22,643
	2,152.0	3,185,456

1. Existing Use Value for Social Housing (EUV-SH) as defined by the Royal Institution of Chartered Surveyors Appraisal and Valuation Standards.

	2013/14	2012/13
Investment in new homes	£133m	£122m
New home starts	1,303	608
New home completions	381	368

During the year we invested £133 million (2013: £122 million), excluding grant support, in the development of new homes and, looking forward, the number of new home starts in 2014/15 will remain high as we continue with delivery of the current Affordable Homes Programme, move into delivery of the 2015–2018 programme and increase our development ambitions, working towards delivering 1,250 new homes per year.

At the end of the financial year we had committed funds of £188.3 million to new developments compared to £93.3 million in the previous year, reflecting our plans for delivery of the Affordable Homes Programme by 31 March 2015.

Investments

Our £18.2 million (2013: £16.9 million) investment in Landericus, a German residential property fund, delivered a profit before tax of €2.0 million (2013: €1.9 million).

Capital and reserves

Group capital and reserves at year end were £441.5 million (2013: £397.3 million).

Funds committed to new developments

£188.3m

(2012/13: £93.3m)

Capital and reserves

£441.5m

(2012/13: £397.3m)

Our treasury management function

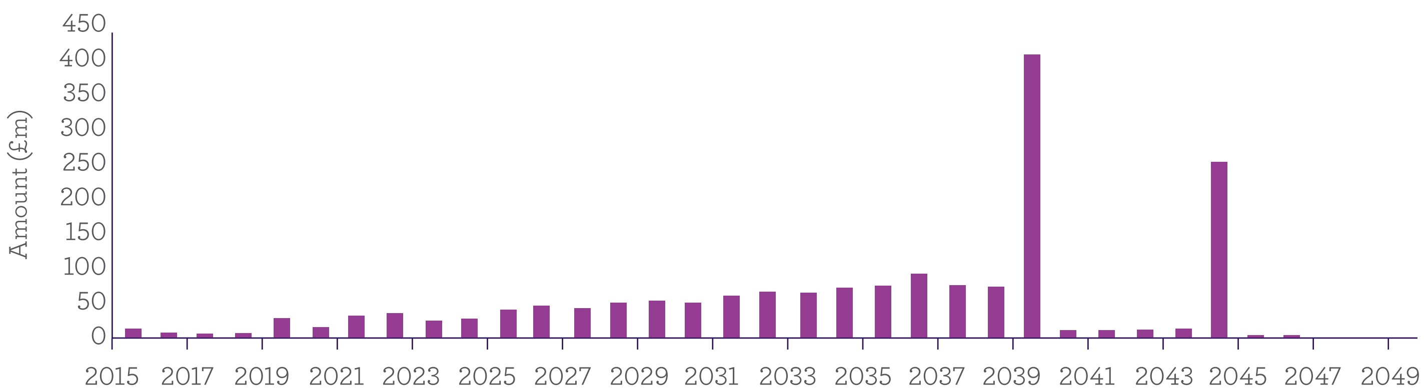
Our centralised treasury function supports all the Circle Housing's partners.

We have a detailed three-year treasury strategy and our Management Board reviews our treasury policies each year to make certain that we always apply best practice and are effectively managing our treasury risks. To further ensure good governance and effective treasury management, we also operate a central treasury resource, Circle Anglia Treasury Limited, which is responsible for all our funding and liability management activity.

Our treasury team's main roles are to manage treasury risk and make our treasury operations as efficient as possible while successfully managing the various risks we face. Each partner delegates authority for its treasury strategy, decisions and implementation to the Management Board. The Management Board is responsible for the oversight of the Group's financial risks; these include those involving interest rates, inflation, liquidity and foreign exchange. Using the best available treasury management systems also helps us to apply an efficient and integrated overall approach, while ensuring that our data are accurate and consistent.

In addition, we constantly monitor our performance and undertake quarterly risk reviews to make sure that we remain financially sound in all treasury matters and to indicate if any additional risk mitigation actions need be taken, including raising new funding and hedging activity.

Circle debt facility maturity profile



Managing debt

All Group debt is managed centrally.

As at 31 March 2014, 97% (2013: 96%) of the Group's external funding was on-lent through Circle Anglia Treasury Limited, with these facilities guaranteed by the group partners within the Group as well as secured on their property assets through the use of a Security Trustee, (Prudential Trustee Company Limited). Circle Anglia Treasury obtains financing for the Group from bank lenders, and from Circle Anglia Social Housing Plc. Circle Anglia Social Housing Plc obtains its funding from the international capital markets and currently has two bond issues outstanding. The only exceptions to the above are some cases of legacy debt of individual group partners totalling £17 million or 1% of the total portfolio (2013: £26 million/1%). This dates from before they joined the Group and during the year we refinanced £7 million of this debt which released £21 million of security, increasing the overall capacity of the Group whilst also generating efficiency savings and removing some covenants that were not in line with our standard terms.

In addition, the Landericus group of companies within Circle Housing hold directly arranged euro-denominated debt of £36 million or 2% (2013: £37 million/2%).

Historically, long-term bank loans have been the largest source of funding to the sector and we are no different in this respect with 64% (2013: 62%) of current drawn funding being from this source at year end. All our funding is fully secured and available to be drawn.

Since the financial crisis in 2008 we have rebalanced our long-term funding sources, with the Group now having issued £635 million (2013: £635 million) of bonds in the capital markets. Our liquidity levels are strong with available facilities of £2,308 million (2013: £2,321 million) and cash and liquid financial assets of £71 million (2013: £77 million) as at year end. This ensures that our committed financial plan, including contingencies, is fully funded in line with our treasury policy which requires us to always have sufficient secured facilities to cover an 18-month period.

During the year, we took advantage of favourable market conditions to release £18 million of our 2018 bonds that we had been carrying for resale on the secondary markets. These disposals generated cash proceeds of £26 million and a profit of £8 million. This profit is amortised over the life of the bonds.

The average life of our fixed debt is 20 years (2013: 19 years) and we continue to have very low refinancing risk with only £13 million of facilities repayable in 2014/15 and only £60 million of debt maturing in the next five years. The first significant refinancing is in 2038/39 when our first bond matures.

Liquid resources

Cash was £9.9 million at year end (2013: £9.2 million). Short-term investments were £71 million at year end (2013: £73 million). This relates to the cash held within money market funds and has increased during the year due to changes in our liquidity management policy. In the current environment an increased level of liquid holdings provides a critical buffer against volatility and unforeseen shocks that may give rise to temporary restrictions on access to working capital.

Liability management – derivatives activity

As a result of the Group's active risk management activities, the majority of the Group's debt is fixed rate, using a mix of interest rate derivatives and fixed rate debt to minimise exposure to fluctuating interest rates. Our average cost of drawn debt in the year 2014 was 4.75% (2013: 4.70%).

As at 31 March 2014, the Group had interest rate derivative contracts (interest rate swaps and interest rate caps) of £752 million (2013: £772 million), with a negative mark-to-market valuation of £112 million (2013: -£170 million).

Average cost of drawn debt during the year

4.75%

(2012/13: 4.70%)

Available facilities of

£2,308m

(2013: £2,321m)

Only

£60m

of debt maturing in the next five years

Our treasury management function continued

Liability management – derivatives activity continued

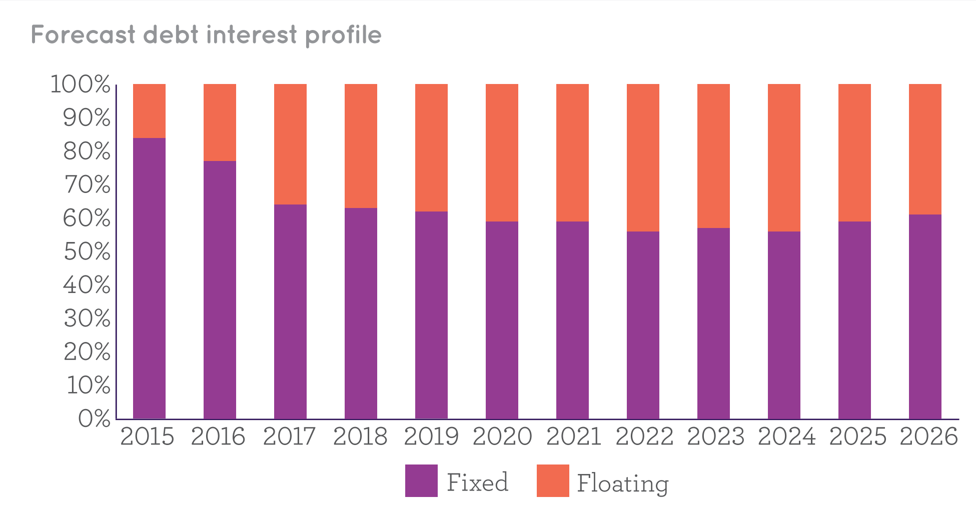
All these contracts are subject to ISDA Agreements between Circle Anglia Treasury Limited and the bank counterparties. Under these agreements the Group is required to provide collateral to secure out of the money positions in excess of an aggregate threshold of £32 million (2013: £32 million). The current collateral calls amount to £90 million (2013: £147 million) and are secured using property security of £200 million (2013: £172 million) from the Group partners, by way of the security trustee. The Group actively monitors its exposures to collateral calls using stress testing. As at March 31 2014, the impact of a 1% shift in both short and long-term interest rates would have increased the collateral calls by £114 million.

The following chart illustrates our fixed to floating mix of debt as at 31 March 2014:

Currently the Group is not required to report on financial instruments under FRS25 or FRS26, but will start reporting under FRS102, the new standard from the Financial Reporting Council, with its financial results for the year ending 31 March 2016. The Group is currently well placed to deal with these new financial reporting requirements for financial instruments and is expecting the majority of its derivatives to qualify as effective hedges.

Complying with our covenants

We monitor all our financial covenants on a monthly basis based on the financial results of the funding group*. Almost all of these are standardised across our debt portfolio (loans and bonds) to facilitate the greatest possible efficiency in our approach to risk management. Interest cover, which shows how much of our net interest charge is covered by our pre-interest surplus, is one of our core KPIs. As is typical in the social housing sector, we test and report on it on a one-year and three-year basis. The historic debt held within the individual registered providers predominantly contain net rental or income tests, which are also monitored on a monthly basis.



* The funding group includes the nine charitable registered providers and Circle Anglia Treasury Limited.

In addition, we continue to scenario test and stress test our financial position and forecasts, including multiple-event 'perfect storm' conditions. This ensures that even in the most unlikely combination of adverse market conditions or shocks our business, factoring in our development plans, is not put at risk and adequate covenant headroom is maintained.

We have agreed uniform terms with our lenders across the vast majority of our loan facilities which provides significant risk management benefits. On 31 March 2014, our one and three-year interest cover stood at 188% and 186% respectively (2013: 181% and 176%), against lender covenants of 95% and 105%.

Our gearing covenant restricts the amount of debt we can hold as a percentage of our housing assets as measured on an historic cost basis. Gearing was 50% (2013: 51%) at year end, compared with a covenant ceiling of 70%. This gives us substantial headroom, but the position is actually even more positive. Around two thirds of our portfolio has come through the transfer of properties from local authorities, the historic cost of which often understates their current value. This means that the net value of our assets will increase and gearing will improve as transfer promises are fulfilled and our works are capitalised. This gives us substantial financial capacity to focus on attractive opportunities we identify. Most importantly, it enables us to consider each opportunity on its own merits rather than concentrate on how we are going to fund it. It also gives us a very strong platform, stabilising our income in a fast-changing world while optimising financial returns right across our organisation.

Security

All our loans and all derivative contracts are secured using property as collateral. As at 31 March 2014, we had over £900 million (2013: £800 million) in available property security and have ring-fenced a substantial proportion of this security, to protect the Group against possible falls in interest rates and property values, but still leaving significant financial capacity.

Our credit ratings

The impact of the UK recession and debt position, along with welfare reform changes and the introduction of Universal Credit made last year a difficult one in terms of credit rating for the housing association sector. There were no material events during the course of the financial year and Circle Housing's management continued to engage regularly with Moody's credit rating team, updating on them on changes within the sector and how we are poised to take advantage of opportunities and respond to challenges. Circle Housing's underlying credit strength, as measured by Moody's, remained unchanged during the year, with our Moody's rating remaining at A2.

Gearing

50%

(2012/13: 51%)

	Year 1	Year 3
Interest cover	224%	195%
Covenant requirement	95%	105%

Credit rating

A2

Value for money

Value for money (VfM) means delivering the best possible outcomes for every rent pound.

We do this by improving the efficiency and effectiveness with which we deliver our trusted landlord services and growing surpluses from diverse activities. This enables us to invest more money in creating property value and people value – together, our social dividend. Property value is created by investing in homes and communities that people wish to live in through regeneration, building new affordable homes and making our existing homes more energy efficient. People value is created by increasing the independence and financial resilience of our customers.

We understand the VfM of our services by considering the inputs, outputs and outcomes.

- **Inputs** are the resources (cash, people and property) that we consume to run our business. We measure how we are managing our resources over time and compare ourselves with others to gain assurance that our input consumption is competitive.
- **Outputs** measure how effective we are at using our resources to run the core activities such as letting and repairing homes. Outputs don't, however, give us a complete picture of how our work is impacting on our customers and the delivery of our vision.
- **Outcomes** enable us to assess the impact of our work. Desired outcomes range from customer experience with our trusted landlord services to the impact that we are having on customers' lives to help them become more independent and financially resilient and the volume, quantity and quality of affordable homes that we are providing.

  By measuring outcomes we can ensure that our business operations are working effectively for us and we are utilising our input resources in the smartest way.

Our business plan, budget and strategies are set to move us towards this vision. By targeting improvements in the efficiency and effectiveness of our trusted landlord services and surpluses from diverse activities, we can invest higher levels of resource in the activities that generate the greatest value.

Clear performance targets are set to ensure we are generating the best possible outputs and outcomes for the resources we are consuming. Our award-winning social return on investment model allows us to measure the value being created through our social dividend.

Directorate plans and individual colleague objectives are set and monitored with reference to the business plan, budget, performance targets and benchmarking[1] to understand and improve our VfM in each area of our operations. All of this information is scrutinised by our Boards.

1 Circle Housing's peer group comprises all Moody's rated associations with more than 28,000 units in ownership at the end of 2012/13. This includes associations belonging to the g15, the group of London's 15 largest associations. The rationale is that this peer group competes for the same pool of funding from lenders and investors.

We have made a start in bringing our operating costs down. This will enable us to invest a greater proportion of our rent pound in services that have a direct impact on delivering outcomes for our customers.

Input measures

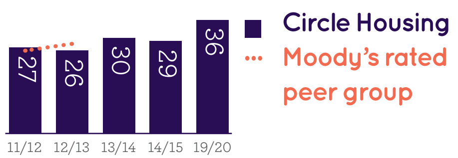
Current position

We have grown principally through the acquisition of local authority housing which has required considerable borrowings to fund investment to bring it up to the Decent Homes Standard. Some 89% of our turnover is from social housing letting, which is higher than peer organisations who are undertaking a greater proportion of property sales and other diverse activities. Whilst our operating margins are in line with peer organisations, our net surplus margin is lower due to servicing a relatively high level of debt and lower reliance on generating resources from property sales to date.

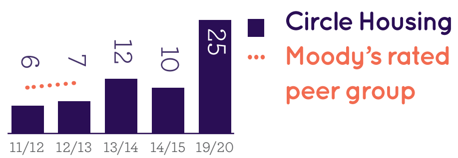
Our operating costs have risen over time. Comparing ourselves with other organisations suggests that we could operate more efficiently which would release resources that can be invested into our social dividend. Our operating costs are £200 per affordable home higher than our Moody's rated peer group. This is due mainly to our relatively higher staff costs. At 23% of turnover, our staff costs are the third highest in the g15 and our work with Dutch organisations shows that after removing the impact of our labour-intensive care and support services we employ 31 staff for every 1,000 properties managed, compared with 11 – 18 in the Netherlands. Our overall investment into the repairs and maintenance of our properties is higher than comparator organisations and our long-term investment plans indicate that this is planned to continue.

We have made a start in bringing our operating costs down. This will enable us to invest a greater proportion of our rent pound in services that have a direct impact on delivering outcomes for our customers. We have budgeted to reduce our benchmarked back office costs from 12.1% of turnover in 2013/14 to a budget of 10.9% of turnover in 2014/15 saving over 1 pence in every rent pound. We plan to reduce costs below 10% in 2015/16 in line with upper quartile sector performance, saving a further 1 pence in every rent pound. This improvement includes the restructuring of our finance function during 2013/14 to provide a more effective service and generate recurrent annual efficiency savings of £1.4 million – saving 0.4 pence in every rent pound. We have also begun an organisational transformation programme called Fast Forward Circle to significantly improve the efficiency and effectiveness of our services.

Operating margin %



Net surplus %



OPERATING AND FINANCIAL REVIEW

Value for money continued

Input measures continued

Future plans

Our resources profile graph (see page 47) illustrates the way we consumed our customers' rent pound in 2013/14 and how we have budgeted to consume our customers' rent pound in 2014/15.

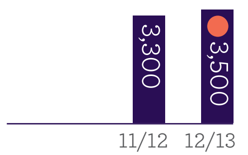
Overall resources invested are budgeted to increase from £1.23 for every rent pound in 2013/14 to £1.69 in 2014/15. This is due to increasing resources invested from 31 pence to 58 pence in the rent pound to deliver the remaining 1,395 new homes under the first National Affordable Homes Programme and increasing resources invested in improving existing homes from 15 pence to 34 pence in every pound. Some 8 pence of the increase in resources invested in improving existing homes is to complete major repair works at Circle Housing Merton Priory to bring the local authority housing that we acquired for a nil value in 2010 up to the Decent Homes Standard by March 2015. The remaining 11 pence increase is to catch up on cyclical and major works programmes from this year where it has taken us longer to mobilise our contracts than expected. Investing these higher levels of resource will increase property value by increasing the number of new affordable homes and making our existing homes better places for our customers to live. Our new contracts will significantly improve our VfM by saving 3 pence in every rent pound every year by delivering at least £100 million (10%) savings over a 10 year period as well as creating over 200 apprenticeship opportunities.

Our operating margin reduces from 30% in 2013/14 to 29% in 2014/15. The catch up of cyclical works reduces our operating margin by 4%. This is offset by a 3% improvement in operating margin from

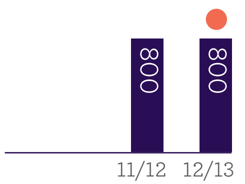
£1.23

In 2013/14 we invested £1.23 for every pound of customers rent

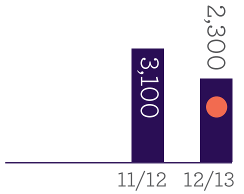
Operating cost per affordable home (£)



Management cost per affordable home (£)

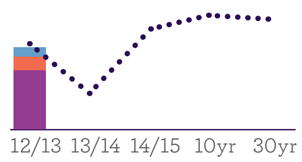


Total repairs and maintenance cost per affordable home (£)



■ Circle Housing
● Moody's rated peer group

Major repair cost per property (£)



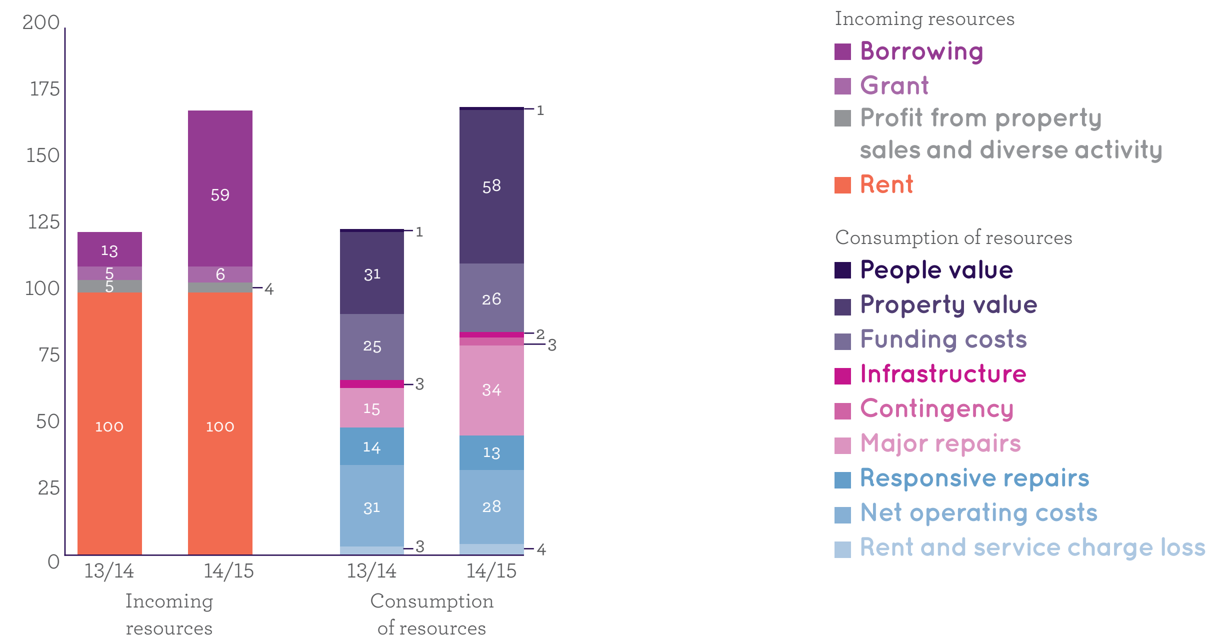
··· Circle Housing
■ g15 upper quartile 1,195
■ g15 median quartile 1,461
■ g15 lower quartile 1,663

sustainable efficiency improvements built into our budgets which reduce our operating costs from 31 pence to 28 pence in every rent pound. The budgeted efficiency improvements include procurement and real staff cost savings. These improvements in efficiency will begin to release resources to invest in our social dividend over time.

In order to consume the increased level of budgeted resources in 2014/15 we will increase our borrowings by 46 pence in every rent pound, adding an extra 2 pence to our interest costs into the future.

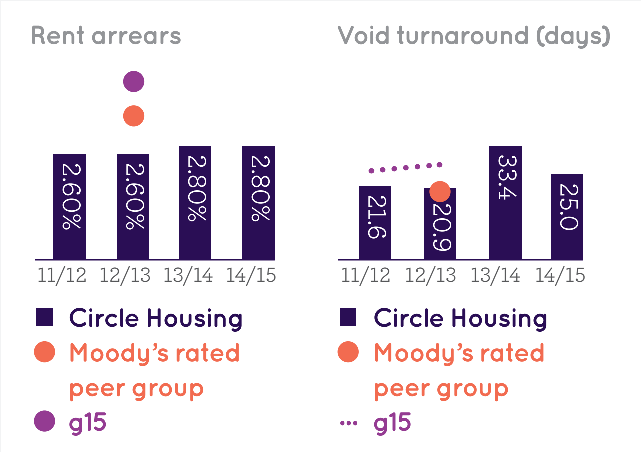
Fast Forward Circle is a three-year plan and key part of our strategy to improve significantly our VfM. We have engaged PricewaterhouseCoopers to assist us in delivering recurrent annual savings of at least £25 million, or 8 pence in every rent pound. This will significantly increase the return on our social housing assets, releasing resources for our vision aspiration to increase our social dividend by a multiple of five.

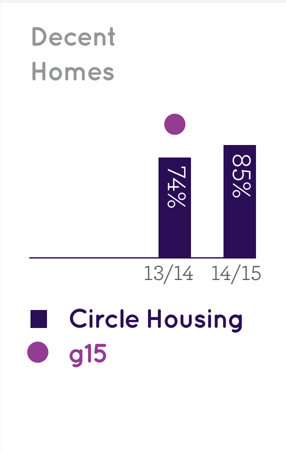
Resources profile (pence)



Value for money continued

We continue to invest resources in making our existing homes better places to live.





Output measures

Effectiveness of trusted landlord services

Current position

We have maintained our low arrears levels through the careful allocation of new affordable rent properties and managing the implementation of the first stages of the Government's welfare benefit reforms. The time it has taken to re-let properties has increased in 2013/14 because of our transition to new repairs and maintenance contracts which has pushed the amount of rent we lose from properties being vacant above our Moody's rated peer group.

We continue to invest resources in making our existing homes better places to live by ensuring they are of at least Decent Homes Standard and increasingly energy efficient. Investment in homes we acquired through our most recent stock transfer at Circle Housing Merton Priory will bring them up to Decent Homes Standard, which will bring our Decent Homes compliance up to 100% in line with some peer organisations. Around 55% of our general needs properties have an SAP rating of 70 or more (see page 28 for more details).

Future plans

Increasing the resources we invest in creating people value will help our customers be better prepared for future aspects of the Government's welfare benefit reforms such as direct payment of benefits. We are currently working with the Department of Work and Pensions on a new scheme to test how households are likely to adapt to Universal Credit.

We have clear action plans in place to ensure our new repairs and maintenance contracts deliver a more effective service. These include increasing levels of resources in customer-focused roles, improving our operational delivery through focused recruitment and training along with ensuring technology is enabling our end-to-end processes to be as efficient as possible. These actions are designed to return re-let times and customer satisfaction to the levels being achieved before the dip in 2013/14.

70%

Our goal for the number of homes achieving SAP rating of more than 70

Our vision aspires to continue improving our customers' homes by increasing to 70% the number of homes achieving a SAP rating of over 70 and for 100% of homes to meet or exceed the Decent Homes Standard.

Our Fast Forward transformation programme aims to improve the effectiveness of our service delivery. It will do this by improving the ease of access to services including developing digital channels and increasing the proportion of staff delivering services directly to customers.

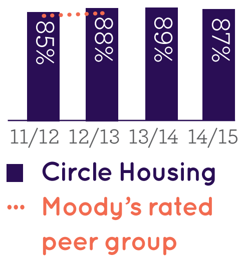
Profit from diversified activities

Current position

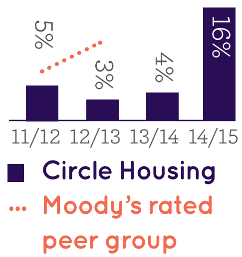
Some 89% of our turnover is from social housing lettings, 6% higher than our Moody's rated peer group and 13% higher than the g15 average, illustrating that we have not undertaken as much diverse activity to date as our peer organisations and have been less reliant on generating surpluses from the sale of property, contributing to our deficit position of £0.4 million (2012/13: £0.5 million surplus).

During 2013/14, Centra increased its share of the home care market through the acquisition of Prime Care as replacement business for Supporting People which we expect to decline over the next three years. We delivered 290,000 care hours during 2013/14, but gross margins were low because the business has not yet built up enough care hours delivered to cover the fixed costs of operating the contracts, contributing to our deficit position of £0.4 million (2012/13: £0.5 million surplus). Our telecare services help 90,000 customers retain a greater sense of independence in their own homes.

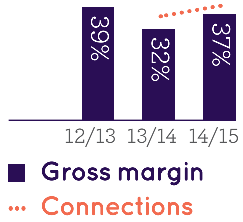
Social housing lettings % of turnover



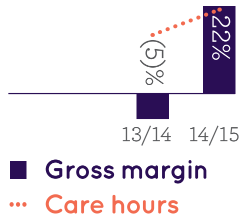
Surplus from property sales as % of turnover



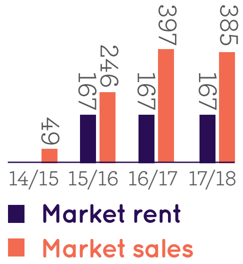
Telecare connections and gross margins



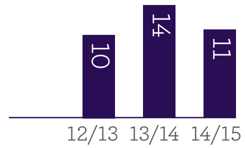
Domiciliary care hours and gross margins



Market development completeness



Equity value released from disposal of existing property (£m)



Value for money continued

Output measures continued

Profit from diversified activities continued

Current position continued

Our asset performance evaluation model assesses the financial and social return on all of our individual property assets. We are using this model to develop our optimising value through assets strategy, creating programmes to invest in improving the energy efficiency of our existing homes, making them better places for our customers to live or to release equity value by disposing of existing homes to provide resources for the development of more new affordable homes.

We have an investment in the German private rental sector which gives us exposure to an established private rental market with strong and stable income yields. We receive a c. £1 million dividend from this investment that increases resources for our social dividend.

Future plans

In 2014/15 we expect to deliver 414,000 care hours and we anticipate this growing further. Our vision for the future is to have 200,000 alarm connections for vulnerable people generating a gross margin of 50%. The purpose of this growth is to generate profits to cross subsidise our people value

200,000

Our vision for the future is to have 200,000 alarm connections

and property value activities. This growth is planned to move our care and support business from a budgeted breakeven trading position for 2014/15 to a surplus of £2.3 million in 2019/20.

Under our optimising value through assets strategy, we have created a programme to dispose of or change the tenure of 170 properties in 2014/15. This includes a strategic decision to release equity from a number of high value properties to create the investment capacity to develop a greater number of new affordable homes. This is in addition to profits made from building homes for sale, shared ownership properties and any customers taking the opportunity to acquire their home under right to buy schemes. In total, this will generate profits of £14 million in 2014/15, increasing our capacity to fund new affordable homes by increasing our rent pound by another 4 pence. We plan to develop 788 new affordable properties on an ongoing basis into the future assuming low or no public subsidy, generating 1.5% annual growth in our supply of affordable homes.

Our finance strategy sets our clear limits on the extent to which we will invest in diverse activities and our investment policy includes investment hurdle rates to ensure each asset class delivers the required financial return.

We have begun measuring our Net Promoter Score which will allow us to compare our customers' loyalty to our trusted landlord services with organisations in other sectors.

Outcome measures

Trusted landlord services

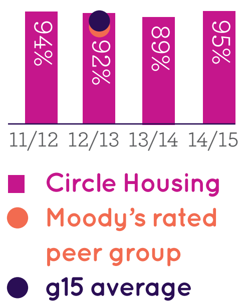
Current position

Our customers' overall satisfaction with our services and satisfaction with their last repair have fallen in 2014/15 because effectively mobilising our new repairs and maintenance service has taken longer than planned. We have also begun measuring our Net Promoter Score which will allow us to compare our customers' loyalty to our trusted landlord services with organisations in other sectors.

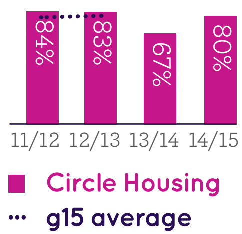
Future plans

Our change programme is designed to increase customer satisfaction and loyalty by improving access to our trusted landlord services through improvements in technology and a greater proportion of staff directly engaged in delivering services to customers. Actions are in place for our new repairs and maintenance service to reverse the recent trend of reduced satisfaction with the last repair and ensure Circle Housing remains ahead of its peers in this important area of our trusted landlord services. The actions focus on improving our operational delivery through focused recruitment and training along with ensuring technology is enabling our end-to-end processes to be as efficient as possible. Additional resources have been allocated to customer-facing roles while these improvements are implemented.

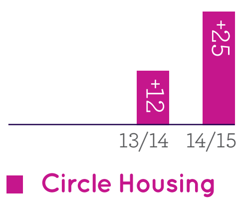
Satisfaction with last repair



Overall customer satisfaction



Net promoter score



Property value

Current position

Property value was created through our sector leading web-based House Exchange service which enabled 331 customers to move into homes better suited to their needs. We also completed 381 new affordable homes. Both of these outcomes have increased the supply of affordable homes to people who need them the most. A further 1,395 completions in 2014/15 will deliver our commitment under the first National Affordable Homes Programme. Circle Housing installed over 1,000 energy efficiency measures for 2013/14, including new boilers, loft and cavity wall insulation and renewable technology.

Value for money continued

Outcome measures continued

Property value continued

Future plans

Our vision is that our property value investment will increase the number of moves being facilitated by House Exchange to 1,000 every year as we support customers on their life journey and make sure that scarce affordable housing assets are occupied by the right people and those who need them the most. We are committed to continuing to develop new affordable homes but the number of completions will fall to around 788 a year due to assumptions that capital grant rates will continue to reduce in the future. We will need to subsidise the development of new affordable homes by increasing our surplus from open market property sales the efficiency of our trusted landlord services.

People value

Current position

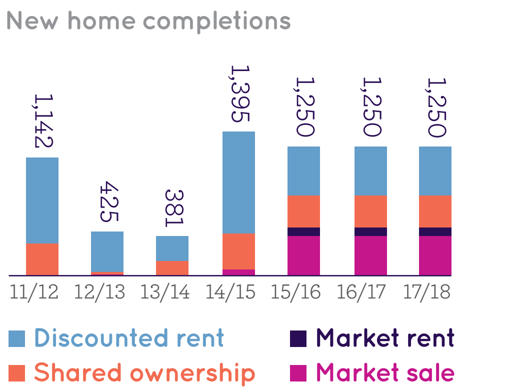
Investment of resources in 2013/14 increased the financial independence and resilience of our customers. There has been a 6% increase in debt and money advice provided to support customers to become more financially resilient. An increase in both online and phone support has allowed us to focus resources on providing a face-to-face service to our most vulnerable customers. Our employment, skills and workplace training has delivered a 44% increase in customers placed into apprenticeships, work experience and volunteering and a 61% increase for customers placed into direct employment. Under our Resident Energy Champion scheme, volunteer residents provided peer-to-peer energy saving advice to nearly 2,000 Circle Housing customers, which could save customers around £250 per year on their energy bills. We also helped to collectively save colleagues and customers nearly £45,000 through switching to better deals for their energy consumption.

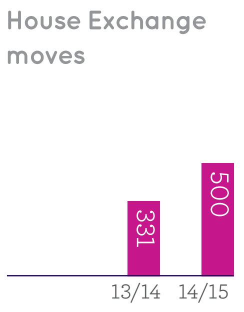
Our award-winning social return on investment model demonstrates that for every £1 we invest in creating people value, there is a social return on this investment of £12.

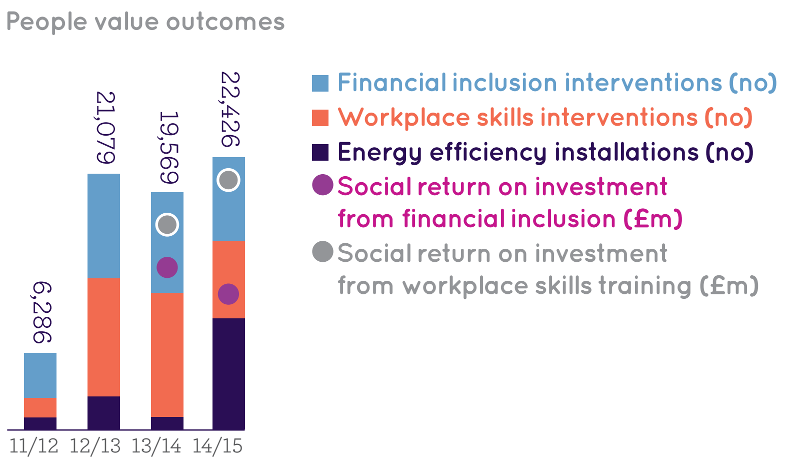
Future plans

Delivering our Fast Forward Circle change programme will release resources so that we can increase investment into our social dividend by a multiple of five, transforming customer outcomes.

Our aim is to increase investment into our social dividend by a multiple of five







Investment of resources in 2013/14 increased the financial independence and resilience of our customers.

OPERATING AND FINANCIAL REVIEW

Principal risks and uncertainties

The nature of what we do means we face a wide array of risks. Our approach to risk is reviewed and agreed annually by our Group Board to ensure it is appropriate and aligns with our strategic goals. We take into account the risks inherent in our areas of operation and our appetite for risk, both in financial and non-financial terms.

Risk management is embedded in our way of working and at the heart of our governance framework (see page 59).

Our customers and our assets are vital to the success of Circle Housing, and we operate within a low overall risk range which we consider to be appropriate for our business. Our lowest risk appetite relates to health and safety and compliance issues and financial loss. We wish to grow our business and are willing to accept some risk within this area, within acceptable financial parameters.

All areas of the business assess and review risk on a regular basis. Residual risks are assessed for the effectiveness of existing controls and mitigating action plans prepared where appropriate. Consolidated risk assessments are scrutinised by the Executive Team in the first instance, Group Audit and Risk Committee where relevant, and ultimately form the basis of detailed Board reporting.

External risks

Risk	Responsibility	Mitigation/comment	Progress made in 2013/14	Exposure to risk since 2012/13
We do not model welfare benefit reform accurately enough, or we do not take the appropriate strategic response to it	Executive Director (Customer Services)	One of Circle Housing's strategic objectives is to prepare our customers for the impact of welfare reform. As well as improving the life chances of our customers, this decreases the risk of rent arrears increasing. We identified financial inclusion, employment and skills, and energy saving as the key pillars to promote independence and make customers' money to go further.	• We delivered 8,275 interventions to help customers with their finances. • We gave more than 9,000 people employment and skills support, with around 2,000 finding paid work. • We helped save our customers around £450,000 on their energy bills. • The number of Circle Housing households affected by the under occupancy penalty fell by 20% last year and the number of homes affected by the benefit cap was reduced by around 40%. • Our rent arrears levels were maintained at 2.8%.	

Financial risks

Risk	Responsibility	Mitigation/comment	Progress made in 2013/14	Exposure to risk since 2012/13
We fail to exercise ongoing cost control in the face of volatile income streams	Executive Director (Finance)	Our financial processes provide greater transparency and support better cost control. Our business plan identifies delivering a minimum operating surplus as a core business priority. Our financial plan includes stress-tested scenarios.	• Operating surplus increased from £95.1 million to £110.1 million. • Cost saving business processes have been put in place. This includes in budgetary management, procurement and accounts payable. • A reduction in cost centres and budget managers has changed the culture and provided greater accountability and transparency on controlling costs.	»
We fail to evolve an effective strategy for delivering better value for money	Executive Director (Finance)	Our business plan prioritises the need to identify our financial and social returns on investment. Doing so helps us to show how we are delivering value and to identify any activities that are failing to deliver. The business plan also includes a set of priorities and outcomes that ensure we concentrate on the services that are most important to us and the people who depend on us.	• In March 2014, Circle Housing won the Housing Association National Accountancy Award (HANAA) for the best social return on investment model. • Circle Housing's model for measuring social return on investment has the potential to be fully accredited and patented for use across the sector. The tool enables us to measure the impact of investment after a defined period. It also ensures the money we invest has the most benefit for our customers. • Our SROI is £12 for every £1 spent.	»

Principal risks and uncertainties continued

Financial risks continued

Risk	Responsibility	Mitigation/comment	Progress made in 2013/14	Exposure to risk since 2012/13
Our development schemes consume too much of our working capital or take longer than planned, potentially missing our Affordable Housing 2011–2015 Programme deadline of March 2015	Executive Director (Property)	Providing affordable homes is a top priority for us. For that reason, our budget and financial plans all include stress tests for our capital requirements and the progress of development is closely monitored.	• We completed 381 homes under the Affordable Homes Programme (AHP) for 2011–2015. • We are on track to deliver more homes than were in our original AHP 2011–2015 contract.	
Our new repairs and maintenance (R&M) procurement fails to be achieved according to timetable and/or to deliver anticipated cost savings	Executive Director (Customer Services)	The successful delivery of R&M is a priority for the Group. We constantly monitor our forecast costs as a key measurement of our performance. Whilst this has had its difficulties due to the scale and complexity of change, the end results look to be highly beneficial. We are expecting savings of over £100 million over the 10 years of the contracts.	• 180 estimated contracts reduced to six. • 37+ contractors reduced to four main service provider partners. • 20+ estimated cost models reduced to two cost models; responsive repairs and planned maintenance. • Standardised pricing is now in place.	
Our efforts to streamline the business fail to make it more efficient and effective	Group Chief Executive	Our business plan sets out the efficiency targets we are aiming for. These are supported by a detailed and strategic change-management process that we monitor closely. Our priority of nurturing and developing the talent and leadership we have in the Group will make an important contribution to streamlining the organisation. We have commenced a transformation programme which will deliver an operating model that is fit for our future vision.	• Our operating margin increased from 27% to 30%. • We have begun to upgrade our telephone system to a single common platform. This ensures reliable access to our telephone-based services and allows us to switch callers between contact centres seamlessly. • An agile working pilot has allowed 100 staff to work remotely and in a hot desk environment within our offices. • We have reviewed and restructured the Finance function to ensure that we have the right skills and experience to meet future demands. This will realise savings of £1.5 million per annum.	

Financial risks continued

Risk	Responsibility	Mitigation/comment	Progress made in 2013/14	Exposure to risk since 2012/13
Our commercial investments fail to make adequate returns	Executive Director (Commercial)	Commercial growth is another strategic priority for Circle. Each Centra business has their own business plans describing how they will reach their targets, and these have been approved by our Management Board strategy council. We do not include acquisitions in our financial plan and budget, so the value they generate will be additional to our forecasts.	• The operating surplus decreased from a surplus of £0.5 million to a deficit of £0.4 million. • It has been a challenging year for our commercial businesses and the growth forecast in 2013/14 has not been achieved. The Management Board has reviewed the targets and acknowledged that these may have been unachievable in light of the volatile and uncertain climate and within the timeframes originally proposed. • The care and support market continues to operate with extremely tight returns and high reputational risks.	
There is a failure to exercise proper control or prevent a major fraud	Executive Director (Governance)	We have a robust approach to internal controls and have a risk-based audit plan that is delivered by an internal audit team. We have a Chief Compliance Officer who leads improvements across all compliance activity.	• We have a professional and qualified investigation team and we have built strategic partnerships with police forces. • When we detect fraud we take a strong and swift response towards prosecution. We successfully worked with the police to secure a conviction in a £10,000 fraud and are working towards a confiscation order under the Proceeds Of Crime Act. • In Circle Housing Circle 33 our Tenancy Fraud Team successfully recovered 97 properties equating to a £1.76 million notional value saving.	

Principal risks and uncertainties continued

Operational risks

Risk	Responsibility	Mitigation/comment	Progress made in 2013/14	Exposure to risk since 2012/13
We lack the focused performance culture needed to deliver the scope and scale of change that is required	Executive Director (People)	We have worked to improve the capability of leaders across the organisation over the last year. We have internally publicised our core values. Improvements have been made to the way we recruit and train staff. We have organised leadership events, implemented a graduate programme and put new processes in place for talent and succession management. Improvements have been made to pay and reward, including the successful auto-enrolment of staff into the pension scheme.	• Nearly all staff have been on our 'Customers and People at the Heart' programme. This has provided training to everyone on how to work effectively with customers and suppliers. • Our change-management function has seen a 100% success rate with business change programmes delivering on time and within budget. • The Circle Management Development Programme continues to be fully subscribed. It provides comprehensive training that boosts management skills and leadership capability.	
Our governance structure is not sufficiently clear or consistent	Executive Director (Governance)	We describe our business priorities and targets in our business plan. We also outline what we need to do to achieve them. This is helping us to improve decision-making processes. We are also planning a thorough review of our governance structure. This will look at how we can organise our governance structure to make it more efficient.	• We used the external expertise of PricewaterhouseCoopers to accelerate the review of our target operating model. • The review has led to the development of the transformation programme which will align the business structure to deliver our vision.	

Corporate governance at Circle Housing

The sector and wider environment in which we work are characterised by change and risk.

This means we owe it to all our stakeholders, from our customers to our investors, to bring as much security and certainty to our operations and activities as we can. In addition, the nature and importance of our work mean it is essential that we set an exemplary standard of behaviour, both individually and collectively, and act as a positive role model in our sector and in the communities where we work. Two major factors are designed to support these aims. First is the way we are structured, both in terms of the overall shape of the organisation and of the various boards and committees that are responsible for ensuring sound governance across the organisation. Second, and closely related, is the process we have for identifying, addressing and mitigating the various risks we face.

Our governance structure

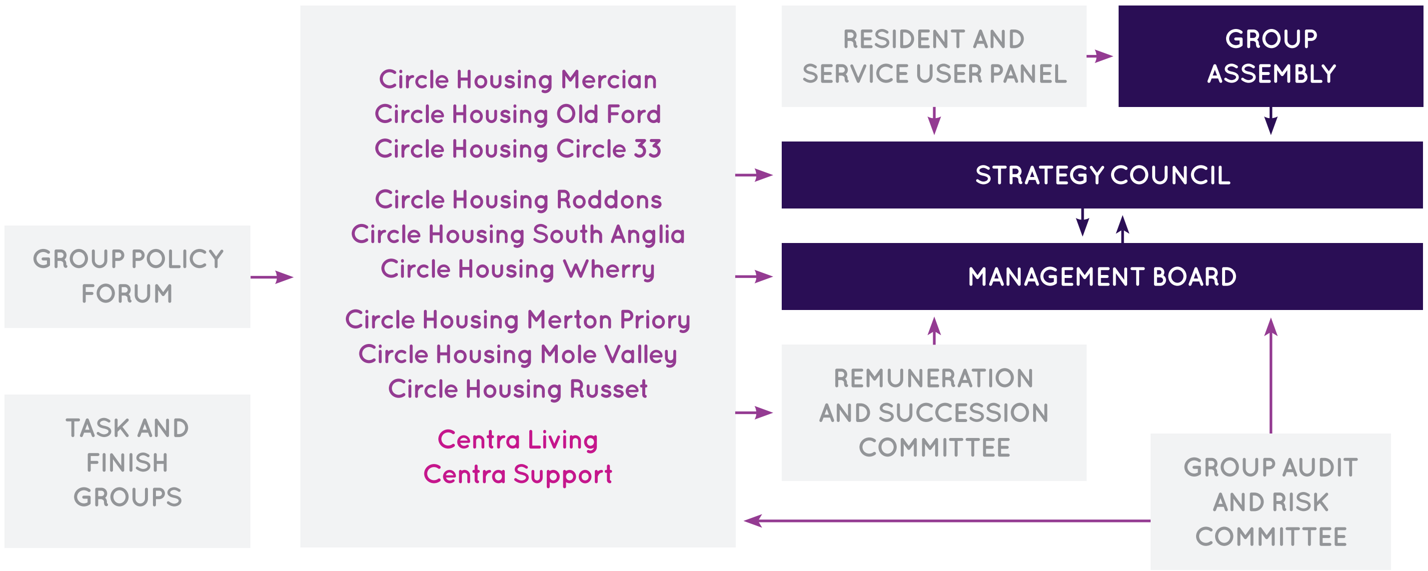
Circle Housing has a group structure. Within this structure, Circle Anglia Limited is the parent of subsidiaries, referred to in this section as 'partners'. All partners work together to improve our customers' life chances. They do this by delivering great homes and reliable services which meet local needs.

Our Management Board, made up of nine non-executive directors and our CEO, is responsible for the Group's governance. The Management Board works alongside the Executive Team, which is responsible for the Group's day-to-day management. Partners have delegated matters to the Management Board, supported by three internal committees. These are:

- **The Strategy Council.** This reviews and assesses the strategic direction of Circle Housing. Membership is comprised of all Management Board members, together with the chairs of each partner Board and the Resident and Service Users Panel.
- **The Remuneration and Succession Committee.** This reviews and recommends remuneration policies for executives and Board members, oversees Circle Housing's HR policies and is responsible for the selection, renewal, appraisal and training of Board and committee members.
- **The Group Audit and Risk Committee.** This reviews the Group's compliance with its statutory duties. It also monitors our internal and external auditors, risk and internal controls. The committee also challenges and tests the Group's risk framework, strategy and policies to ensure that our internal controls adequately reflect Circle Housing's values, vision, size and strategy.

Corporate governance at Circle Housing continued

Circle governance structure



Group Policy Forum

Circle Housing partners also work together in the Group Policy Forum. The Group Policy Forum's key role is to scrutinise and approve all customer policies on behalf of our registered providers. It is also responsible for ensuring that customer policy fits with Circle Housing's mission, vision and values and meets statutory and regulatory requirements.

Task and finish groups

As we seek to involve Board members, to make the most of their expertise, we have set up a number of task and finish groups. These groups deal with issues of strategic importance for Circle Housing. Key Board members head up these groups, supported by colleagues from the leadership team from across Circle Housing. They determine and recommend required action on major projects. These projects include optimising the value of the Group's assets, the potential regeneration of three estates in the London Borough of Merton, and large scale procurement.

Complying with the National Housing Federation (NHF) Code

We also aim to work within the standards and requirements of the National Housing Federation Code of Governance. This code is designed to ensure that housing providers like Circle Housing aim for the highest possible standards. The principle underpinning the code is that organisations should either confirm that they comply with the requirements of the code or should explain areas of non-compliance. Thorough Board scrutiny of our operations has concluded that we are compliant in all areas other than as set out below.

The code states that the Board of an organisation should be responsible for the appointment and, if necessary, dismissal of the CEO and for approving his or her salary, benefits and terms of employment. However, Group arrangements mean that Circle Anglia and its partners share a Group Chief Executive and the Group Chief Executive is appointed by the Management Board, rather than being appointed by the Board of each of the partners. The Managing Directors of our partner organisations are appointed with the involvement of relevant partner Board members.

Management Board

Sir Robin Young
Chair and independent member
Sir Robin, Chair of Circle Housing, has enjoyed a successful career in the highest echelons of Government, spanning 31 years. Sir Robin was Permanent Secretary at both the DTI and DCMS. As Head of Economic and Domestic Affairs at the Cabinet Office, Sir Robin advised former Prime Minister Tony Blair on a range of domestic and economic issues.

Jane Clarkson
Independent member
Jane is Deputy Chair and Non-Executive Director of a leading Friendly Society and also chairs its Audit and Compliance Committee. She is a member of The Law Society's Audit Committee and was a founder member of the RICS Regulated Activities Committee and former independent Chair of her local authority's Standards and Audit Committees.

Baroness Maggie Jones
Independent member
Maggie was previously Director of Policy and Public Affairs at Unison and is a life peer in the House of Lords. She is also a Board member of Shelter, Deputy Chair of the School Food Trust and previous Chair of the Empty Homes Agency.

Mark Rogers
Group Chief Executive
Mark, who is Group Chief Executive of Circle Housing, has over 20 years' experience in the housing sector. He was Director of Customer Services at Circle Housing Circle 33 before being appointed Chief Executive of Nene Housing Society in Peterborough. He joined Anglia Housing Group as Chief Executive in 2003.

Murray Foster
South Anglia Housing Limited
Murray is a portfolio Non-Executive Director with a wide range of experience in finance, business support, regeneration and education. He has a number of other current roles including acting as Chairman to the Digital Exploration Centre Trust, the South East Essex Multi Academy Trust, the South Essex Teaching School Alliance, and the Southend Business Partnership. He is Vice Chairman of the Southend Association of Voluntary Services and is also a board member of the Futures Community College.

Simon Braid
Independent member
Simon is the Chair of the Circle Group Audit and Risk Committee and joined the Management Board in June 2010. Simon was KPMG's Head of Charities and Social Housing until his retirement in 2009. He has over 20 years' experience in the social housing sector, which led to him being invited by the Housing Corporation to chair the Ujima inquiry in 2008.

Brenda Reynolds
Roddons Housing Association Limited
Brenda is the resident Chair of Circle Housing Roddons. Brenda has lived in Fenland for 37 years with her family, and passionately believes in helping to create a community spirit. She joined March's residents' association in 1997 and has remained an active voice of the community ever since.

Stephen Jacobs OBE
Circle Care and Support Limited
Stephen's background is in regeneration work. Stephen was Director of Community Relations for the successful London 2012 Olympic Bid Team and a Neighbourhood Renewal Advisor for the Office of the Deputy Prime Minister.

Tania Brisby
Independent member
Tania spent over 18 years in investment banking at Samuel Montagu, NatWest Group and Deutsche Bank. Since 2001, she has worked in consultancy specialising in emerging markets and, since 2009, advising the NHS on governance, competition and commissioning. She is a Tribunal Panel Member of the Financial Reporting Council.

Brian Stewart OBE
Wherry Housing Association Limited
Brian is a Chartered Town Planner. Following a 27 year executive career in local and regional Government, he is now a portfolio Non-Executive Director and Consultant, with current interests in planning, housing, transport and energy.

Executive team

Mark Rogers
Group Chief Executive
See biography on page 61.

Francesco Elia
Executive Director (Commercial and Marketing)
Francesco has considerable experience in leading finance teams at a senior level across different aspects of operations and commercial finance, within a number of sectors. Francesco's experience includes managing acquisitions, disposals and business integrations.

Sasha Harrison
Executive Director (Customer Service)
Sasha is an experienced leader with a strong housing operations background. From starting on the frontline 20 years ago as a Housing Assistant, Sasha worked her way to more senior operational positions in stock transfer organisations and large groups. She worked with Circle Housing for four years as a Regional Operations Director before joining the Executive team.

Robert Kerse
Executive Director (Finance)
Circle Housing is Robert's fourth Finance Director role in the housing association sector. He joins from Genesis Housing Association where he led finance, IT and procurement functions. Robert started out his career with PricewaterhouseCoopers where he trained as a chartered accountant.

Sarah Trota
Executive Director (People and Business Transformation)
Heading up Circle Housing's People Portfolio, Sarah oversees the teams responsible for recruitment, employee relations, learning and development, payroll, and facilities management. Sarah joined the organisation in March 2008 and has worked in HR in the retail sector for over 20 years, and latterly was the HR Director for Waterstones, the UK's largest book retailer.

Deborah Upton
Executive Director (Governance)
Deborah is a solicitor with extensive public sector experience across a wide range of areas including procurement, housing, property and regeneration. The Governance Directorate encompasses all areas of key controls for the Group.

Mike Ward
Executive Director (Property)
Mike has 18 years of service with Circle Housing and is skilled in creating external partnerships. He is highly respected across the sector and Government, having led on the stock Government transfers at Fenland in Cambridgeshire and in Merton, as well as the partner selection that brought Mercian into the Group in 2008.

Board statement on the effectiveness of the system of internal control for the period ended 31 March 2014

The Group Management Board is ultimately responsible for ensuring that the Group and its partners have a system of controls in place that are appropriate to the various business environments in which it operates. It is also responsible for the review of the effectiveness of the system of control. These internal controls are designed to identify and manage, rather than eliminate, risks which may prevent the organisation from achieving its objectives.

The system of control is designed to give reasonable rather than absolute assurance with respect to:

- the reliability of information used within the organisation or for publication
- the maintenance of proper accounting and management records
- the safeguarding of assets against unauthorised use or disposition.

The process followed to identify, evaluate and manage significant risks faced by the organisation is ongoing. The process has been in place during the past financial year and is reported regularly to the Group Management Board. The risk management and control processes are not a separate annual exercise but are a continuous function which is embedded across the Group. Evidence is continually documented and collated to support good practice and compliance.

Internal assurance activities

Staff and line managers review their own risks with support from the Risk and Resilience Team. This is designed to promote accountability by all staff and discourages staff and line managers from relying on the Group risk management function to monitor potential risks. The system is supportive and designed to instil a greater understanding of risk and assurance to all employees. A range of assurance activities take place across the business. Members of the Executive Team and senior leaders make a statement to evidence that this has happened. The Board of each partner writes to the Group Audit and Risk Committee to detail and confirm the assurance activities that have taken place in that partner.

Internal audits

Circle Housing's internal auditors provide robust risk management approach across the Group. This is done in order to reduce the risks to an acceptable level for the Board. Internal auditors assess the effectiveness of control systems but are not responsible for design and construction of them. The internal auditors undertake this responsibility on behalf of Circle Housing Group which ensures an objective review, audit and follow up process takes place. Audit activities have clear risk-based terms of reference which are regularly reviewed and updated with relevant business and regulatory requirements.

External audit assurance

Circle Housing's objectives and strategies as well as the related business risks are made clear to the external auditors. This is so that they gain an understanding of the overall structure and governance of the association.

Risk management and governance

Risk management activities highlight and mitigate the likelihood of undesirable events occurring. Clear lines of responsibility are established throughout the Group for co-ordinating risk management activities and reporting on key risks identified and considered by the Board. Risk is managed at strategic, operational and project levels.

Conclusion

The Management Board acknowledges that its responsibility applies to the complete range of risks and controls within the organisation's activities. It also applies to ensuring that necessary remedial action is put into operation if necessary.

On behalf of the Group Management Board, the Group Audit and Risk Committee has reviewed the annual report of the Group Chief Executive on the effectiveness of the internal control system and those of the Internal Audit and Risk Management functions.

The Committee has considered the effectiveness of the system of internal control in existence in the organisation for the year ended 31 March 2014. No weaknesses were found in internal controls which resulted in material losses, contingencies, or uncertainties which require disclosure.

Statement of Board's responsibilities in respect of the Board's report and the financial statements

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

Industrial and Provident Society law requires the Board to prepare financial statements for each financial year. Under those regulations the Board has elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to give a true and fair view of the state of affairs of the Association and of the surplus or deficit for that period.

In preparing these financial statements, the Board is required to:

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

The Board is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Association and enable them to ensure that its financial statements comply with the Industrial & Provident Societies Acts 1965 to 2003, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012. The Board has general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Association and to prevent and detect fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Association's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to auditor

The Board members who held office at the date of approval of this Board's report confirm that, so far as they are each aware, there is no relevant audit information of which the Association's auditors are unaware and each Board member has taken all the steps that they ought to have taken as a Board member to make themselves aware of any relevant audit information and to establish that the Association's auditors are aware of that information.

Auditors

A resolution is to be proposed at the Annual General Meeting for the re-appointment of KPMG LLP as auditors of the Association.

By order of the Board

D Upton
Secretary
15 July 2014

Registered address:
Circle House
1–3 Highbury Station Road
London N1 1SE

Independent auditor's report

to the members of Circle Anglia Limited

We have audited the financial statements of Circle Anglia Limited for the year ended 31 March 2014 which comprise the Group and Association Income and Expenditure Account, the Group Statement of Total Recognised Surpluses and Deficits, the Group and Association Balance Sheet, the Group Cashflow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Association's members, as a body, in accordance with section 128 of the Housing and Regeneration Act 2008 and section 9 of the Friendly and Industrial and Provident Societies Act 1968. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the Association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 64, the Association's Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of affairs of the Group and Association as at 31 March 2014 and of the Group's surplus and Association's deficit for the year then ended; and
- have been properly prepared in accordance with the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Industrial and Provident Societies Acts 1965 to 2003 and the Industrial and Provident Societies (Group Accounts) Regulations 1969 require us to report to you if, in our opinion:

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

Chris Wilson
for and on behalf of KPMG LLP,
Statutory Auditor
Chartered Accountants
1 Forest Gate
Brighton Road
Crawley
West Sussex
RH11 9PT
18 July 2014

FINANCIAL STATEMENTS

Group and Association income and expenditure accounts

Group income and expenditure account

for the year ended 31 March 2014

	Note	Group 2014 £m	Group 2013 £m
Turnover: continuing activities	3	**362.7**	345.9
Cost of sales	3	**(6.7)**	(9.2)
Operating costs	3	**(245.9)**	(241.6)
Operating surplus: continuing activities	3	**110.1**	95.1
Surplus on sale of fixed assets – housing properties	6	**14.6**	9.5
Interest receivable and other income	7	**11.8**	4.8
Interest payable and similar charges	8	**(90.7)**	(83.2)
Other finance costs	30	**(0.7)**	(0.4)
Surplus on ordinary activities before taxation		**45.1**	25.8
Tax charge on surplus on operating activities	10	**(0.6)**	(0.8)
Surplus for the financial year after taxation		**44.5**	25.0
Minority interests		**—**	(0.1)
Surplus for the financial year after minority interests		**44.5**	24.9

The results included in the income and expenditure account relate wholly to continuing activities.

Statement of total Group recognised surpluses and deficits

for the year ended 31 March 2014

	Note	Group 2014 £m	Group 2013 £m
Reported surplus for the financial year		**44.5**	24.9
Actuarial gains/(losses) recognised in the pension scheme net of deferred tax and exceptional pension credit	30	**1.5**	(1.8)
Total recognised surplus for the year		**46.0**	23.1

The notes on pages 71 to 128 form part of these financial statements.

Association income and expenditure account

for the year ended 31 March 2014

	Note	Association 2014 £m	2013 £m*
Turnover: continuing activities	3	**75.2**	82.5
Operating costs	3	**(76.3)**	(81.0)
Operating (deficit)/surplus: continuing activities	3	**(1.1)**	1.5
Interest payable and similar charges	8	**(0.1)**	(0.6)
Other finance costs	30	**(0.4)**	(0.4)
(Deficit)/surplus on ordinary activities before taxation		**(1.6)**	0.5
Tax charge on surplus on ordinary activities	10	**(0.4)**	(0.7)
Deficit for the financial year after taxation		**(2.0)**	(0.2)

* Details of the restatement are provided in note 9.

The results included in the income and expenditure account relate wholly to continuing activities.

Statement of total Association recognised surpluses and deficits

for the year ended 31 March 2014

	Note	Association 2014 £m	2013 £m
Reported deficit for the financial year		**(2.0)**	(0.2)
Actuarial gains/(losses) recognised in the pension scheme net of deferred tax and exceptional pension credit	30	**0.4**	(1.8)
Total recognised deficit for the year		**(1.6)**	(2.0)

The notes on pages 71 to 128 form part of these financial statements.

FINANCIAL STATEMENTS

Group balance sheet

as at 31 March 2014

	Note	2014 £m	2013 £m
Tangible fixed assets			
Housing properties	11	**2,152.0**	2,082.3
Other tangible fixed assets	11	**82.3**	81.5
Goodwill	12	**9.1**	7.1
Investments	13	**0.8**	5.7
Investment in property under Homebuy Scheme:			
Grant investment		**13.1**	13.1
Social housing grant		**(13.1)**	(13.1)
		2,244.2	2,176.6
Current assets			
Stock and work in progress	14	**69.2**	45.0
Debtors due within one year	15	**83.8**	118.5
Investments	16	**18.1**	4.4
Cash at bank and in hand		**9.9**	9.2
		181.0	177.1
Creditors: Amounts falling due within one year	17	**(173.8)**	(172.0)
Net current assets		**7.2**	5.1
Debtors: Amounts falling due after more than one year	15	**163.4**	185.3
Total assets less current liabilities		**2,414.8**	2,367.0
Creditors: Amounts falling due after more than one year	18	**1,948.6**	1,944.2
Long-term pension liability	30	**24.7**	25.5
Capital and reserves			
Non-equity share capital	32	**—**	—
Designated and other restricted reserves	33	**8.1**	7.5
Revenue reserve	33	**432.1**	387.9
Minority interests		**1.3**	1.9
Consolidated funds		**2,414.8**	2,367.0

The notes on pages 71 to 128 form part of these financial statements.

The financial statements were approved by the Board on 15 July 2014 and signed on its behalf by:

Sir R Young
Chair

S Braid
Board member

D Upton
Secretary

Association balance sheet

as at 31 March 2014

The financial statements were approved by the Board on 15 July 2014 and signed on its behalf by:

Sir R Young
Chair

S Braid
Board member

D Upton
Secretary

	Note	2014 £m	2013 £m
Tangible fixed assets			
Other tangible fixed assets	11	**13.5**	8.5
Investments	13	**0.9**	0.9
		14.4	9.4
Current assets			
Debtors due within one year	15	**14.5**	12.5
Cash at bank and in hand		**0.6**	0.1
		15.1	12.6
Creditors: Amounts falling due within one year	17	**(21.6)**	(18.9)
Net current liabilities		**(6.5)**	(6.3)
Total assets less current liabilities		**7.9**	3.1
Creditors: Amounts falling due after more than one year	18	**13.5**	7.3
Long-term pension liability	30	**10.2**	10.0
Capital and reserves			
Non-equity share capital	32	**—**	—
Revenue reserve	34	**(15.8)**	(14.2)
Consolidated funds		**7.9**	3.1

The notes on pages 71 to 128 form part of these financial statements.

FINANCIAL STATEMENTS

Group cashflow statement

for the year ended 31 March 2014

	Note	2014 £m	2013 £m
Net cashflow from operating activities	26	**162.9**	106.6
Returns on investments and servicing of finance			
Interest received		**11.8**	5.1
Interest paid		**(99.7)**	(89.3)
Net cashflow from returns on investment and servicing activities		**(87.9)**	(84.2)
Taxation paid			
Corporation tax paid		**(0.5)**	(0.5)
Capital expenditure			
Purchase and construction of housing properties		**(126.8)**	(122.2)
Social housing grants received		**16.6**	32.9
Sale of housing properties		**24.1**	19.2
Purchase of other fixed assets		**(8.0)**	(4.7)
Net cashflow from capital expenditure		**(94.1)**	(74.8)
Acquisitions and disposals			
Minority interest		**(1.8)**	0.1
Acquisition of subsidiaries		**(2.1)**	—
Net cashflow from acquisitions and disposals		**(3.9)**	0.1
Cash outflow before management of liquid resources and financing		**(23.5)**	(52.8)
Management of liquid resources			
Cash (paid)/withdrawn from money market deposit accounts	27, 28	**(13.7)**	9.3
Net sale of listed investments		**4.9**	—
		(8.8)	9.3
Financing			
Housing loans received net of payments	27, 28	**30.8**	33.6
		30.8	33.6
Decrease in cash	28	**(1.5)**	(9.9)

The notes on pages 71 to 128 form part of these financial statements.

Notes to the financial statements

for the year ended 31 March 2014

1. Legal status

The Association is incorporated under the Industrial and Provident Societies Act 1965 and is also a registered provider under the Housing Act 1996.

2. Principal accounting policies

The Board believe it is appropriate to prepare the financial statements on a going concern basis, having reviewed the financial forecast. The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom, the Statement of Recommended Practice for Registered Social Housing Providers update 2010 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

The Group financial statements incorporate the financial statements of the Group's parent, Circle Anglia Limited, and its subsidiaries.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the income and expenditure account.

Where foreign currency borrowings have been used to finance, or provide a hedge against, group equity investments in foreign enterprises, exchange gains or losses on the borrowings, which would otherwise have been taken to the income and expenditure account, are offset as reserve movements against exchange differences arising on the re-translation of the net investments. This policy is applied to the extent that:

- in any accounting period, the exchange gains and losses arising on foreign currency borrowings are offset only to the extent of the exchange differences arising on the net investments in foreign enterprises; and
- the foreign currency borrowings, whose exchange gains or losses are used in the offset process, do not exceed, in aggregate, the total amount of cash that the net investments are expected to be able to generate.

Notes to the financial statements continued

for the year ended 31 March 2014

3. Turnover, other costs, operating costs and operating surplus

Policy

Turnover represents gross rental income receivable during the period net of voids, fees, management fees, direct works income, Supporting People income, first tranche sales of shared ownership and other sundry sources.

For a substantial number of the Group's members, Value Added Tax (VAT) affairs are dealt with under a Group registration in the name of Circle Anglia Limited. Only a proportion of the input VAT is recovered by the Group and expenditure is therefore shown inclusive of irrecoverable VAT. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

	2014				2013	
Group – continuing activities	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m	Turnover £m*	Operating surplus/ (deficit) £m*
Social housing lettings	323.0	—	(217.0)	106.0	303.6	87.5
Other social housing activities						
Supporting People contract	8.6	—	(9.5)	(0.9)	10.4	0.1
Management services	1.8	—	(1.2)	0.6	1.7	—
Community regeneration	0.5	—	(3.9)	(3.4)	0.6	(2.0)
First tranche sales	4.5	(3.3)	—	1.2	10.3	1.6
Intermediate rents	1.0	—	(0.5)	0.5	1.0	0.6
Other	1.3	0.7	(1.8)	0.2	1.2	(0.1)
	17.7	(2.6)	(16.9)	(1.8)	25.2	0.2
Non-social housing activities						
Lettings	13.8	(0.1)	(6.0)	7.7	13.2	8.5
Other non-social housing activities	8.2	(4.0)	(6.0)	(1.8)	3.9	(1.1)
	362.7	(6.7)	(245.9)	110.1	345.9	95.1

	2014				2013	
Association – continuing activities	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m	Turnover £m	Operating surplus/ (deficit) £m
Social housing lettings	75.2	—	(76.3)	(1.1)	82.5	1.5

* 2013 comparatives have been reanalysed to reallocate 'other' expenses, a heading that was used in 2013, to appropriate headings. There has been no impact on the overall operating surplus.

3. Turnover, other costs, operating costs and operating surplus continued

Income and expenditure from social housing lettings

Group	General needs housing £m	Supported housing £m	Temporary social housing £m	Shared ownership £m	Lease £m	**2014 Total £m**	2013 Total £m*
Rent receivable net of service charges	262.8	25.0	0.6	12.4	0.1	**300.9**	282.3
Service charges receivable	12.6	6.5	0.1	3.7	4.2	**27.1**	24.9
Gross rents receivable	**275.4**	**31.5**	**0.7**	**16.1**	**4.3**	**328.0**	307.2
Less: rent losses from voids	(4.4)	(1.3)	(0.1)	(0.1)	—	**(5.9)**	(4.6)
Net rents receivable	**271.0**	**30.2**	**0.6**	**16.0**	**4.3**	**322.1**	302.6
Other revenue grants/income	0.7	0.1	—	—	0.1	**0.9**	1.0
Turnover from social housing lettings	**271.7**	**30.3**	**0.6**	**16.0**	**4.4**	**323.0**	303.6
Management	(37.3)	(9.8)	(0.1)	(4.1)	(6.7)	**(58.0)**	(58.8)
Service charge expenditure	(20.6)	(6.5)	(0.1)	(2.3)	(4.2)	**(33.7)**	(34.5)
Routine maintenance	(40.6)	(3.6)	(0.3)	(1.0)	(1.5)	**(47.0)**	(47.5)
Planned maintenance	(27.9)	(3.4)	—	(1.0)	(2.0)	**(34.3)**	(34.9)
Bad debts	(2.2)	(0.2)	—	(0.1)	(0.2)	**(2.7)**	(1.5)
Property lease charges	—	—	(0.3)	—	—	**(0.3)**	(0.8)
Depreciation of housing properties and components written off	(38.2)	(2.9)	—	—	—	**(41.1)**	(36.2)
Impairment reversal/(charge) of housing properties	0.2	—	—	(0.1)	—	**0.1**	(1.9)
Operating costs on social housing lettings	**(166.6)**	**(26.4)**	**(0.8)**	**(8.6)**	**(14.6)**	**(217.0)**	(216.1)
Operating surplus/(deficit) on social housing lettings	**105.1**	**3.9**	**(0.2)**	**7.4**	**(10.2)**	**106.0**	87.5
As a percentage of operating surplus on social housing letting	**99.2%**	**3.6%**	**(0.2%)**	**7.0%**	**(9.6%)**	**100.0%**	100.0%

* 2013 comparatives have been reanalysed to reallocate 'other' expenses, a heading that was used in 2013, to appropriate headings. There has been no impact on the overall operating surplus.

Notes to the financial statements continued

for the year ended 31 March 2014

3. Turnover, other costs, operating costs and operating surplus continued

Income and expenditure from social housing lettings continued

The following ratios have been calculated to assist with clarity:

Group	**2014 £**	2013 £*
Operating cost per social housing unit (general needs only)	**4,723**	4,744
Maintenance spend per average number of social housing units owned	**1,965**	2,457
Management spend per average number of social housing units owned	**939**	955
Services spend per average number of social housing units owned	**545**	560
Overheads as a percentage of income	**14.0%**	14.3%

* 2013 comparatives have been reanalysed to reallocate 'other' expenses, a heading used in 2013 to more appropriate headings. There has been no impact on the overall operating surplus.

4. Accommodation in management and development

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

	Group	
	2014 No.	2013 No.*
Social housing		
Social rent	**43,614**	44,900
Affordable rent	**2,253**	1,124
General needs housing	**45,867**	46,024
Supported housing and housing for older people	**5,149**	5,352
Low-cost ownership	**4,967**	5,024
Intermediate rent	**786**	784
Social leased	**4,820**	4,696
Staff accommodation	**54**	55
Total social housing owned	**61,643**	61,935
Non-social housing		
Market rent and similar	**1,902**	1,903
Garages	**7,449**	7,496
Other non-social	**85**	105
Non-social leased	**708**	697
Total non-social housing owned	**10,144**	10,201
Total housing owned	**71,787**	72,136
Accommodation managed on behalf of others (social and non-social)	**11**	74
Stock owned but not managed (social and non-social)	**(1,320)**	(840)
Total housing managed	**70,478**	71,370
Accommodation in development at the year end	**1,969**	1,452

* Garages have been separately disclosed across the Group and 2013 reanalysed for comparability.

Note: Market rent and similar properties includes 1,023 properties (2013: 1,023) owned by Landericus.

Properties owned by Leamington Waterfront LLP are shown as accommodation in development and properties owned by Your Lifespace Limited are shown as completed properties in stock and properties under construction (note 11).

The number of social housing owned, reduced during the year as buyers capitalised on Government incentives. Disposals included Right to Buy sales, shared ownership staircasing and the hand back of short life leased properties in Circle Housing Mercian, net of new development.

5. Operating surplus

This is arrived at after charging/(crediting):

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m*
Depreciation of housing properties	**39.5**	37.1	**—**	—
Impairment of social housing properties	**0.3**	(1.9)	**—**	—
Reversal of impairment of non-social housing stock	**(0.4)**	3.2	**—**	—
Impairment of stock and work in progress	**—**	(0.3)	**—**	—
Depreciation of other tangible fixed assets	**5.5**	5.1	**4.6**	3.7
Amortisation of goodwill	**0.1**	1.0	**—**	—
Operating lease rentals	**1.9**	1.1	**1.9**	1.7
Current and past service costs, including settlements and curtailments	**2.3**	2.2	**0.4**	0.3
Auditor's remuneration:				
– for audit services	**0.2**	0.2	**—**	—
– for non-audit services – assurance	**0.1**	0.1	**—**	0.1
– for non-audit services – taxation	**—**	0.1	**—**	0.1

* The Association's disclosure has been updated to include the corresponding comparative for 2013.

6. Surplus on sale of fixed assets – housing properties

	Group	
	2014 £m	2013 £m
Sales proceeds	**30.2**	32.3
Cost of sales	**(15.6)**	(22.8)
	14.6	9.5

Cost of sales includes fees incurred in addition to the asset carrying value.

7. Interest receivable and other income

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Interest receivable on bank deposits	**4.4**	0.4	**—**	—
Interest receivable on derivatives	**—**	0.1	**—**	—
Other interest earned	**3.9**	0.3	**—**	—
Interest receivable from unlisted companies	**3.5**	4.0	**—**	—
	11.8	4.8	**—**	—

FINANCIAL STATEMENTS

Notes to the financial statements continued

for the year ended 31 March 2014

8. Interest payable and similar charges

Policy

Interest payable is charged to the income and expenditure account in the year, except where it is capitalised on funds borrowed to finance developments up to the date of completion of each scheme. The interest capitalised is either on borrowings specifically financing a scheme or on net borrowings to the extent that they are deemed to be financing a scheme. This treatment applies irrespective of the original purpose for which the loan was raised.

Loan arrangement fees in respect of the issue of new loan facilities whose drawdown is certain are deferred and written off to the income and expenditure account over the expected life of the loan.

The Group has entered into loan arrangements for specific schemes where interest payments are deferred at the beginning of the repayment period or where the principal outstanding is subject to annual indexation. Where the Group has entered into corresponding agreements with third parties (usually local authorities) to guarantee the payment of any deficits arising on these schemes, the amount of the deferral or indexation is treated as an asset.

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Interest on loans	**19.9**	21.2	**—**	—
Interest on bonds	**39.9**	39.9	**—**	—
Loan breakage costs – net	**0.6**	(1.4)	**—**	—
Other interest payable	**3.0**	1.9	**—**	—
Interest payable on derivatives	**32.6**	24.3	**—**	—
Finance lease finance charges	**0.1**	0.1	**—**	—
Interest payable to subsidiaries	**—**	—	**0.1**	0.6
	96.1	86.0	**0.1**	0.6
Interest payable capitalised on housing properties under construction	**(5.4)**	(2.8)	**—**	—
	90.7	83.2	**0.1**	0.6
Capitalisation rate used to determine the finance costs capitalised during the period	**4.97%**	5.13%	**—**	—

9. Employees

	Group		Association	
	2014 No.	2013 No.	**2014 No.**	2013 No.*
Average monthly number of employees (full-time equivalent)				
Administration	**466**	434	**547**	482
Care	**632**	405	**216**	187
Developing or selling housing stock	**42**	36	**33**	32
Managing or maintaining housing stock	**1,145**	1,094	**841**	788
	2,285	1,969	**1,637**	1,489

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m*
Staff costs				
Wages and salaries	**69.7**	64.1	**47.1**	41.8
Redundancy costs	**1.1**	—	**1.1**	—
Social security costs	**6.8**	6.2	**4.9**	4.3
Other pension costs	**5.6**	3.8	**3.0**	1.9
	83.2	74.1	**56.1**	48.0

* 2013 has been restated to include those employees contractually employed by Circle Anglia Limited but paid directly by the individual entities to which those individuals provide services.

Circle Care and Support Limited employs the majority of their staff directly. With the exception of Circle Care and Support Limited and Anglia Maintenance Services Limited's non-salary based employees, all other employees within the Group are employed by Circle Anglia Limited. The resulting employment costs attributable to each association/company are recharged via the Service Level Agreement (SLA).

Notes to the financial statements continued

for the year ended 31 March 2014

9. Employees continued

Board members and Executive Officers

	Appointed/ resigned	Basic salary/ fees £	Other remuneration £	Total remuneration £	Performance bonus £	Pension contribution £	Benefits in kind £	Termination payments £	Total emolument £
	2014								
Non-Executive Officers									
Sir Robin Young		27,043	—	27,043	—	—	—	—	27,043
Simon Braid(1)		13,650	—	13,650	—	—	—	—	13,650
Tania Brisby		12,362	—	12,362	—	—	—	—	12,362
Jane Clarkson JP		14,422	—	14,422	—	—	—	—	14,422
Murray Foster		13,650	—	13,650	—	—	—	—	13,650
Stephen Jacobs OBE		12,362	—	12,362	—	—	—	—	12,362
Baroness Maggie Jones of Whitchurch(2)		14,526	—	14,526	—	—	—	—	14,526
Brenda Reynolds		14,589	—	14,589	—	—	—	—	14,589
Brian Stewart OBE		12,362	—	12,362	—	—	—	—	12,362
		134,966	—	134,966	—	—	—	—	134,966

(1) Chair of the Audit and Risk Committee

(2) Chair of the Remuneration and Succession Committee

9. Employees continued

Board members and Executive Officers continued

	2014								
	Appointed/ resigned	Basic salary/ fees £	Other remuneration £	Total remuneration £	Performance bonus £	Pension contribution £	Benefits in kind £	Termination payments £	Total emolument £
Executive Officers									
Mark Rogers		209,100	2,784	211,884	24,047	57,503	10,129	—	303,563
Robert Kerse	A 07/07/2013	109,783	5,621	115,404	13,500	6,587	—	—	135,491
Andy Doylend	R 31/07/2013	51,000	4,592	55,592	—	9,817	2,355	—	67,764
Francesco Elia	R 31/05/2014	143,750	7,659	151,409	4,618	16,000	—	—	172,027
Sarah Trota		142,800	5,621	148,421	9,282	17,136	8,388		183,227
Maria Heckel	R 12/04/2013	5,795	2,354	8,149	—	—	—	—	8,149
Deborah Upton		107,610	7,885	115,495	8,400	8,609	—	—	132,504
Sasha Harrison	A 08/07/2013	88,253	—	88,253	10,400	6,933	7,404	—	112,990
Mike Ward	A 08/07/2013	82,541	1,394	83,935	8,400	15,920	7,152	—	115,407
		940,632	37,910	978,542	78,647	138,505	35,428	—	1,231,122

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9. Employees continued

Board members and Executive Officers continued

	Appointed/ resigned	Basic salary/ fees £	Other remuneration £	Total remuneration £	Performance bonus £	Pension contribution £	Benefits in kind £	Termination payments £	Total emolument £
		2013							
Non-Executive Officers									
Sir Robin Young		26,775	—	26,775	—	—	—	—	26,775
Simon Braid(1)		13,515	—	13,515	—	—	—	—	13,515
Tania Brisby		12,240	—	12,240	—	—	—	—	12,240
Jane Clarkson JP		14,280	—	14,280	—	—	—	—	14,280
Murray Foster		13,515	—	13,515	—	—	—	—	13,515
Stephen Jacobs OBE	A 09/10/2012	6,758	—	6,758	—	—	—	—	6,758
Baroness Maggie Jones of Whitchurch(2)		14,382	—	14,382	—	—	—	—	14,382
Brenda Reynolds		14,280	—	14,280	—	—	—	—	14,280
Brian Stewart OBE		7,140	—	7,140	—	—	—	—	7,140
Robert Burgin	R 31/07/2012	4,080	—	4,080	—	—	—	—	4,080
Jane Gurney-Read(2)	R 31/07/2012	4,505	—	4,505	—	—	—	—	4,505
		131,470	—	131,470	—	—	—	—	131,470

(1) Chair of the Audit and Risk Committee

(2) Chair of the Remuneration and Succession Committee

9. Employees continued

Board members and Executive Officers continued

		2013							
	Appointed/ resigned	Basic salary/ fees £	Other remuneration £	Total remuneration £	Performance bonus £	Pension contribution £	Benefits in kind £	Termination payments £	Total emolument £
Executive Officers									
Mark Rogers		209,100	—	209,100	25,092	57,503	10,409	—	302,104
Calum Mercer	R 01/09/2012	72,534	16,145	88,679	—	8,686	1,510	196,092	294,968
Francesco Elia	A 01/09/2012	72,917	5,673	78,590	7,300	—	—	—	85,890
Andy Doylend		153,000	5,668	158,668	16,830	29,453	3,330	—	208,281
Sarah Trota		142,800	3,000	145,800	14,280	11,424	10,797	—	182,300
Maria Heckel	R 12/04/2012	153,000	7,596	160,596	3,825	—	—	—	164,421
Deborah Upton		107,610	6,201	113,811	8,608	6,815	830	—	130,064
Rosemary Boot	A 25/06/2012								
	R 25/01/2013	90,476	8,182	98,658	—	5,429	—	—	104,087
		1,001,437	52,465	1,053,902	75,935	119,310	26,876	196,092	1,472,115

During the year, Board members and Executive Officers received emoluments (including pension contributions and benefits in kind). Expenses paid during the year to the Board members amounted to £9,361 (2013: £6,470).

The emoluments of the highest paid director, the Chief Executive, excluding pension contributions, were £246,060 (2013: £244,601). Pension contributions paid into a defined contribution scheme on behalf of the Chief Executive were £57,503 (2013: £57,503).

The Executive Officers, including the Chief Executive, participate in the Group stakeholder pension scheme on the same terms as all other eligible staff.

Remuneration in the year to the non-executive Management Board members of Circle Housing is shown as follows:

Basic fees of between £12,000 and £14,500 are payable to members on the Management Board and additional fees relate to work undertaken on behalf of the Group or Group partners.

Notes to the financial statements continued

for the year ended 31 March 2014

9. Employees continued

Employee remuneration

The number of staff in the Group receiving remuneration in excess of £60,000 as at 31 March 2014 is shown as follows:

	2014 No.	2013 No.
£60,000–69,999	**34**	37
£70,000–79,999	**17**	18
£80,000–89,999	**9**	12
£90,000–99,999	**9**	9
£100,000–109,999	**4**	8
£110,000–119,999	**3**	3
£120,000–129,999	**—**	1
£130,000–139,999	**1**	1
£140,000–149,999	**1**	2
£150,000–159,999	**1**	—
£160,000–169,999	**—**	2
£210,000–219,000	**1**	—
£230,000–239,999	**—**	1
£280,000–289,999	**—**	1

Ratio of highest to lowest earners

The ratio of the highest earner (gross salary including any bonus paid in the year) compared to the lowest earner (annualised gross salary including any bonus paid in the year) is shown as follows:

	2014	2013
Ratio of highest to lowest earner	**15:1**	16:1

9. Employees continued

Chief Executive and Chair's remuneration on a £ per unit basis

The gross salary, including any bonus paid in the year to the Chief Executive and Chair, divided by the total number of homes owned is as follows:

	2014 £	2013 £*
Chief Executive	**3.31**	3.27
Chair	**0.38**	0.37

* 2013 has been updated to reflect the updated unit numbers now disclosed in note 4.

10. Tax on surplus on ordinary activities

Policy

The charge for taxation is based on the result for the period and takes into account deferred taxation because of timing differences between the treatment of certain items for taxation and accounting purposes. No provision has been made for any taxation that would arise if the fixed assets were disposed of at the values included in the financial statements since it is not intended to reduce significantly the size of housing stock and hence cause a material taxation liability to crystallise.

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Current tax				
UK corporation tax charge on surpluses for the year	**—**	0.6	**—**	0.5
Adjustment in respect of prior years	**(0.1)**	(0.1)	**(0.1)**	—
Total current tax (credit)/charge	**(0.1)**	0.5	**(0.1)**	0.5
Deferred tax				
Deferred tax on pension charge	**0.7**	0.3	**0.5**	0.2
Total deferred tax charge	**0.7**	0.3	**0.5**	0.2
Tax charge on surpluses for the year	**0.6**	0.8	**0.4**	0.7

Notes to the financial statements continued

for the year ended 31 March 2014

10. Tax on surplus on ordinary activities continued

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Current year tax reconciliation				
Surplus/(deficit) on ordinary activities before taxation	**45.1**	25.8	**(1.6)**	0.5
UK corporation tax rate at 23% (2013: 24%)	**10.4**	6.2	**(0.4)**	0.1
Surpluses of charitable entities not subject to corporation tax	**(13.5)**	(7.8)	**—**	—
Depreciation in excess of capital allowances	**0.3**	0.3	**0.3**	0.3
Other non-deductible expenditure, net of allowable capital costs	**—**	1.3	**—**	0.2
Gift aid timing differences	**0.1**	0.2	**0.1**	—
Other timing differences	**—**	0.1	**—**	—
Losses carried forward	**2.8**	—	**—**	—
Utilisation of losses	**(0.1)**	0.3	**—**	(0.1)
Adjustments in respect of prior years	**(0.1)**	(0.1)	**(0.1)**	—
Total current tax (credit)/charge	**(0.1)**	0.5	**(0.1)**	0.5

A reduction in the UK corporation tax rate from 24% to 23% (effective from 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. This reduction in rates will reduce the company's future current tax charge and deferred tax balances accordingly. The deferred tax asset at the balance sheet date has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

11. Tangible fixed assets

Housing properties

Policies

Housing properties under construction

Housing properties under construction are stated at cost less capital development grants and are transferred to 'completed schemes' once they are available for letting. No depreciation is provided on housing properties under construction.

Direct costs involved with administering development activities are capitalised to the extent that they are directly attributable to the development process and in bringing the properties into their intended use.

Depreciation

Freehold land is not depreciated. Depreciation is charged so as to write down the value of housing properties to their estimated residual value, on a straight line basis, over their estimated useful economic lives in the business. The depreciable amount is assessed on an annual basis and is arrived at on the basis of original cost, less Social Housing Grant (SHG) and other grants, less residual value (being the actual or estimated open market value of the land at the date of purchase). The Group's housing properties are analysed into major component groups and depreciated over their useful economic life. Completed shared ownership properties are not depreciated.

11. Tangible fixed assets continued

Housing properties continued

Policies continued

Components

The Group operates a component accounting policy in relation to the capitalisation and depreciation of its completed housing property stock.

All housing properties are split between their land and structure costs and a specific set of major components which require periodic replacement. Refurbishment or replacement of such major components is capitalised and depreciated over the estimated useful life of the component as follows:

Component	Useful economic life years
Structure	100
Pitched roof	60
Flat roof	15
Windows	30
Kitchen	20
Bathroom	30
Central heating (excluding boiler)	30
Boiler	15
Electric system	35
Lifts	15
Other major components	26

The Group constantly monitors and reviews the useful economic lives of all components and makes revisions where sustained material changes arise.

Impairment

Housing properties, including those with individual components, which are depreciated over a period in excess of 50 years, are subject to annual impairment reviews. Other assets are reviewed for impairment if there is an indication that impairment may have occurred.

Where there is evidence of impairment, fixed assets are written down to their recoverable amount, being the higher of the net realisable value and the value in use to the Association. Amounts written down in this manner are charged to operating surplus.

11. Tangible fixed assets continued

Housing properties continued

Policies continued

Improvements

Works to existing properties which result in an increase in the net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised as improvements. Examples would be work that results in an increase in rental income, a reduction in future maintenance costs or a significant extension of the useful economic life of the property.

Shared ownership

Shared ownership properties are split proportionately between fixed and current assets based on the element relating to their expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover with the remainder classed as a fixed asset.

Homebuy

Investments and the associated grant under the Homebuy scheme are held within the balance sheet as fixed asset investments.

Social housing grant

Grants are received from the Greater London Authority (GLA), the Homes and Communities Agency (HCA), local authorities and other organisations. Where developments have been financed wholly or partly by Social Housing Grant (SHG), the cost of those developments has been reduced by the amount of the grant receivable.

Although SHG is treated as grant for accounting purposes it becomes repayable if the conditions under which the grant was made are not complied with. An example of this is if the properties to which the grant was designated cease to be used for the provision of affordable rental accommodation.

SHG due from the GLA, HCA and other organisations or received in advance is included as a current asset or liability. SHG received in respect of revenue expenditure is credited to the income and expenditure account in the same period as the expenditure to which it relates.

Grants in respect of revenue expenditure are credited to the income and expenditure account in the same period as the expenditure to which they relate.

SHG is subordinated to the repayment of loans by agreement with the GLA or HCA. SHG released on sale of a property may be repayable but is normally available to be recycled and is credited to a Recycled Capital Grant Fund (RCGF) or Disposal Proceeds Fund (DPF) and included in the balance sheet as part of creditors.

Notes to the financial statements continued

for the year ended 31 March 2014

11. Tangible fixed assets continued

Housing properties continued

Policies continued

Social housing grant continued

	Completed properties		Under construction		
	Housing properties held for letting £m	Shared ownership housing properties £m	Housing properties held for letting £m	Shared ownership housing properties £m	Total £m
Cost					
As at 1 April 2013	3,258.3	352.7	32.7	11.5	3,655.2
Additions:					
– New schemes	–	–	9.5	0.1	9.6
– Existing properties/schemes	40.1	(1.7)	66.8	18.1	123.3
Components written off	(3.2)	–	–	–	(3.2)
Capitalised interest	–	–	2.2	0.7	2.9
Schemes completed in the year	23.8	7.4	(23.8)	(7.4)	–
Disposals	(4.0)	(7.2)	–	–	(11.2)
Impairment reversal/(charge)	0.4	(0.3)	–	–	0.1
Abortive costs	–	–	(0.3)	(0.4)	(0.7)
As at 31 March 2014	**3,315.4**	**350.9**	**87.1**	**22.6**	**3,776.0**
Social housing grants					
As at 1 April 2013	(1,238.9)	(108.8)	(28.9)	(3.6)	(1,380.2)
Additions:					
– New schemes	–	–	(0.9)	(1.9)	(2.8)
– Existing properties/schemes	–	–	(12.5)	(1.3)	(13.8)
Schemes completed in the year	(4.3)	(0.5)	4.3	0.5	–
Disposals	1.9	1.4	–	–	3.3
Reclassification between tenures	–	–	0.3	(0.3)	–
Transfer to stock and work in progress	(0.5)	(0.5)	0.5	0.5	–
As at 31 March 2014	**(1,241.8)**	**(108.4)**	**(37.2)**	**(6.1)**	**(1,393.5)**
Depreciation					
As at 1 April 2013	(190.6)	(2.1)	–	–	(192.7)
Charge for the year	(39.5)	–	–	–	(39.5)
Components written off	1.6	–	–	–	1.6
Disposals	0.1	–	–	–	0.1
As at 31 March 2014	**(228.4)**	**(2.1)**	**–**	**–**	**(230.5)**
Net book value					
As at 31 March 2014	**1,845.2**	**240.4**	**49.9**	**16.5**	**2,152.0**
As at 31 March 2013	1,828.8	241.8	3.8	7.9	2,082.3

Depreciation for the year on assets held under finance leases was £nil (2013: £nil).

The negative £1.7 million in addition to existing completed shared ownership properties/schemes represents an adjustment to first tranche portions reported as part of stock and work in progress in note 14.

11. Tangible fixed assets continued

Housing properties continued

Works to existing properties

The amount spent on existing properties during the year is as follows:

	2014 £m	2013 £m*
Capitalised in fixed assets	**40.1**	68.9
Expensed in the income and expenditure account:		
– Routine maintenance	**47.0**	47.5
– Planned maintenance	**34.3**	34.9
	121.4	151.3

* 2013 has been reanalysed for comparability.

On 31 March 2014, the Group's housing properties were valued by Savills (UK) Limited, an independent firm of chartered surveyors. A full valuation was undertaken with Savills reviewing:

- all stock numbers;
- average rents and target rents; and
- expenditure profiles.

In determining these valuations valuers made use of discounted cashflow methodology and the following assumptions were made:

Future rent increases	Consumer Price Index plus 1% long-term
Real discount rates	4.75%–7.0%
Valuations EUV-SH	£3,185,456,000

Included in the total net book value of £2,152.0 million is £0.5 million (2013: £0.5 million) in respect of assets held under finance lease contracts. Where assets are financed by leasing arrangements that give rights approximating to ownership, they are classified as finance leases and are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payment due during the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor.

Notes to the financial statements continued

for the year ended 31 March 2014

11. Tangible fixed assets continued

Housing properties continued

Recycled capital grant

The Group has the option to recycle SHG which would otherwise be repayable, for use on new developments. If unused within a three-year period it will be repayable to the HCA or GLA with interest. Any unused recycled grant held within the fund, and which is anticipated will not be used within one year, is disclosed in the balance sheet under 'creditors due after more than one year'.

Sale and leaseback

Properties held under sale and leaseback arrangements, under which the Group retains the risks and rewards of ownership, are included within housing properties at cost and valued on the same basis as all other completed housing properties. The Group recognises the substance of such financing arrangements as long-term loans. The associated finance charge is calculated on the carrying value of the loan outstanding.

Tangible fixed assets – other

Group	Leasehold/ freehold offices £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
Cost				
As at 1 April 2013	75.9	15.1	31.7	122.7
Additions	2.0	0.3	5.7	8.0
Disposals	(2.0)	—	—	(2.0)
As at 31 March 2014	**75.9**	**15.4**	**37.4**	**128.7**
Depreciation				
As at 1 April 2013	(5.3)	(12.5)	(23.4)	(41.2)
Charge for the year	(0.5)	(0.7)	(4.3)	(5.5)
Disposals	0.3	—	—	0.3
As at 31 March 2014	**(5.5)**	**(13.2)**	**(27.7)**	**(46.4)**
Net book value				
As at 31 March 2014	**70.4**	**2.2**	**9.7**	**82.3**
As at 31 March 2013	70.6	2.6	8.3	81.5

11. Tangible fixed assets continued

Tangible fixed assets – other continued

Association	Leasehold/ freehold offices £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
Cost				
As at 1 April 2013	0.4	4.1	18.8	23.3
Additions	2.1	0.3	5.6	8.0
Intercompany transfer	0.2	1.3	0.3	1.8
As at 31 March 2014	**2.7**	**5.7**	**24.7**	**33.1**
Depreciation				
As at 1 April 2013	(0.2)	(3.4)	(11.2)	(14.8)
Charge for the year	(0.1)	(0.7)	(3.8)	(4.6)
Intercompany transfer	—	(0.1)	(0.1)	(0.2)
As at 31 March 2014	**(0.3)**	**(4.2)**	**(15.1)**	**(19.6)**
Net book value				
As at 31 March 2014	**2.4**	**1.5**	**9.6**	**13.5**
As at 31 March 2013	0.2	0.7	7.6	8.5

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful economic lives of the assets with a full year's depreciation being charged in the year of purchase. The principal annual rates used are:

Leasehold/freehold offices	1%
Furniture, fixtures and fittings	20%
Computer equipment	Between 20% and 33%

12. Goodwill

Policy

Goodwill arising on the acquisition of subsidiaries is initially measured at cost over the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Any impairment is recognised immediately in the income and expenditure account.

Negative goodwill arising on the acquisition of subsidiaries represents the excess of fair value of the identifiable net assets acquired over the fair value of the consideration given and is taken immediately to the income and expenditure account.

The goodwill has been reviewed for impairment and, as the conditions surrounding the original impairment have not materially or significantly changed, it is felt that the level of impairment recognised in 2011 is still appropriate.

	2014 £m	2013 £m
As at 1 April	7.1	8.1
Arising in year	2.1	—
Amortisation in the year	(0.1)	(1.0)
As at 31 March	**9.1**	7.1

In January 2011, Leamington Waterfront LLP became a full subsidiary of the Group (previously a joint venture), generating £9.6 million of goodwill. The goodwill is being amortised over the life of the development scheme as properties are sold.

In July 2013, Prime Care Holdings and its subsidiaries became full subsidiaries of the Group, generating £2.1 million of goodwill.

13. Investments

Investments in subsidiaries

	Registered with				
	Registrar of Friendly Societies	Companies Registrar	Homes and Communities Agency	Charity Commission	Financial Conduct Authority
Circle Anglia Limited is the parent company of:					
Circle Thirty Three Housing Trust Limited	✓	—	✓	—	—
Mercian Housing Association Limited	✓	—	✓	—	—
Merton Priory Homes	✓	—	✓	—	—
Mole Valley Housing Association Limited	✓	—	✓	—	—
Old Ford Housing Association Limited	—	✓	✓	—	—
Roddons Housing Association Limited	✓	—	✓	—	—
Russet Homes Limited	✓	—	✓	—	—
South Anglia Housing Limited	✓	—	✓	—	—
Wherry Housing Association Limited	✓	—	✓	—	—
Circle Anglia Foundation Limited	—	✓	—	✓	—
Circle Anglia Social Housing plc	—	✓	—	—	—
Circle Anglia Treasury Limited	—	✓	—	—	—
Circle Care and Support Limited	—	✓	—	✓	—
Waterfront (Warwick) Management Company Limited	—	✓	—	—	—
Willow View and Bridge House Management Company Limited	—	✓	—	—	—
Avon View and Swan House Management Company Limited	—	✓	—	—	—
Circle Thirty Three Housing Trust Limited is the parent company of:					
Your Lifespace Limited	—	✓	—	—	—
Thackeray Mews Limited	—	✓	—	—	—
Your Lifespace Limited is the parent company of:					
Leamington Waterfront LLP	—	✓	—	—	—
Landericus Limited*	—	✓	—	—	—
Mercian Housing Association Limited is the parent company of:					
Art Homes Limited**	—	✓	—	—	✓
Zenith Developments Limited	—	✓	—	—	—

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for the year ended 31 March 2014

13. Investments continued

Investments in subsidiaries continued

	Registered with				
	Registrar of Friendly Societies	Companies Registrar	Homes and Communities Agency	Charity Commission	Financial Services Authority
Old Ford Housing Association is the parent company of:					
Old Ford Homes Limited	—	✓	—	—	—
Circle Anglia Foundation Limited is the parent company of:					
Circle Living Limited	—	✓	—	—	—
Circle Housing Asset Design Limited***	—	✓	—	—	—
Circle Living Limited is the parent company of:					
Anglia Maintenance Services Limited	—	✓	—	—	—
Invicta Telecare Limited	—	✓	—	—	—
Circle Care and Support Limited is the parent company of:					
Prime Care Holdings Limited****	—	✓	—	—	—

All companies are 100% owned by the parent company, except Thackeray Mews Limited (62%) and Landericus Limited (93.68%).

All of the above are participants in the Group borrowing facility with the exception of Circle Anglia Social Housing plc, Circle Living Limited, Circle Care and Support Limited, Anglia Maintenance Services Limited, Your Lifespace Limited, Circle Anglia Foundation Limited, Invicta Telecare Limited, Art Homes Limited, Zenith Developments Limited, Old Ford Homes Limited, Landericus Limited, Thackeray Mews Limited, Leamington Waterfront LLP, Prime Care Holdings Limited, Waterfront (Warwick) Management Company Limited, Willow View and Bridge House Management Company Limited, Avon View and Swan House Management Company Limited, and Circle Housing Asset Design Limited.

The subsidiaries are all incorporated in the United Kingdom apart from Landericus Limited which is a Guernsey registered company.

* Landericus Limited is the parent Company of the following (owning 100% of each): Landericus Property Holding S.a.r.l, Landericus Property Alpha S.a.r.l, Landericus Property Beta S.a.r.l, Landericus Property Delta S.a.r.l, Landericus Property Gamma S.a.r.l, Landericus Property Epsilon S.a.r.l, Landericus Property Zeta S.a.r.l.

** Art Homes Limited was dissolved on 14 January 2014.

*** Circle Housing Asset Design Limited was incorporated on 20 December 2013 but dormant at the end of March 2014.

**** Prime Care Holdings Limited is the parent company of the following (owning 100% of each): Prime Care Community Services Limited, Purple Care Franchising Limited, Prime Care Community Projects Limited. The Prime Care group of companies were undertakings acquired during the year.

Procedure agreements exist between Circle Anglia Limited and the subsidiaries covering the respective obligations of all parties.

Investments are valued at the lower of cost and net realisable value.

13. Investments continued

Investments in subsidiaries continued

Operating surplus/(deficit) and the net asset/(liability) position of the subsidiary undertakings at 31 March 2014:

	Operating surplus/(deficit)		Total assets less current liabilities	
	2014 £m	2013 £m	**2014 £m**	2013 £m*
Anglia Maintenance Services Limited	**0.2**	0.3	**0.2**	(0.8)
Circle Anglia Foundation Limited	**—**	0.9	**1.5**	1.5
Circle Anglia Treasury Limited	**—**	—	**0.1**	0.1
Circle Anglia Social Housing Plc	**—**	—	**0.1**	0.1
Circle Living Limited	**0.7**	0.2	**1.0**	0.2
Circle Thirty Three Housing Trust Limited	**29.9**	34.2	**765.8**	765.9
Circle Care and Support Limited	**3.4**	—	**5.7**	2.3
Your Lifespace Limited	**(0.8)**	—	**(20.2)**	(8.8)
Old Ford Homes Limited	**—**	—	**0.4**	0.3
Old Ford Housing Association	**3.9**	2.4	**173.5**	149.0
South Anglia Housing Limited	**13.8**	12.8	**297.0**	299.1
Wherry Housing Association Limited	**11.1**	12.4	**261.3**	263.4
Mole Valley Housing Association	**6.1**	5.3	**110.1**	113.4
Roddons Housing Association	**5.0**	2.9	**102.6**	100.8
Russet Homes Limited	**19.4**	15.9	**202.6**	188.7
Invicta Telecare Limited	**0.2**	0.3	**1.5**	1.3
Thackeray Mews Limited	**—**	—	**—**	—
Landericus Limited	**0.6**	0.8	**(6.2)**	56.3
Mercian Housing Association Limited	**4.6**	3.2	**79.3**	85.2
Zenith Developments Limited	**—**	—	**0.1**	0.1
Merton Priory Homes	**11.7**	7.2	**202.6**	203.4
Leamington Waterfront LLP	**0.2**	(2.0)	**13.9**	13.8
Prime Care Holdings Limited	**(0.2)**	—	**4.6**	4.1
Prime Community Services Limited	**(0.1)**	(0.1)	**0.3**	0.2
Purple Care Franchising Limited	**—**	—	**(0.6)**	(0.6)
Prime Community Projects Limited	**—**	—	**—**	—
	109.7	96.7	**2,197.2**	2,239.0

* 2013 has been reanalysed in line with the loan agreements to more appropriately present the element of intercompany onlending between Circle Anglia Treasury Limited and the guarantor group due after one year.

13. Investments continued

Investments – listed and unlisted

Included in investments are:

	Group		Association	
	2014 £m	2013 £m	2014 £m	2013 £m
Cost of shares in Circle Anglia Social Housing Plc	—	—	0.1	0.1
Costs of acquiring Mercian Housing Association	—	—	0.8	0.8
Listed investments	0.6	5.5	—	—
Unlisted investments	0.2	0.2	—	—
	0.8	5.7	0.9	0.9

Investments comprise a long-term loan of £10,000 and a loan to UK Rents (No1) plc of £110,060 representing 2% of the securitisation loan which is withheld by UK Rents (No1) plc as a cash reserve under the terms of the loan agreement. During the course of the year Circle Housing Mercian bought an additional £2,568,996 of Haven Funding (32) plc and then used this along with existing investment to cancel its debt obligation to Haven Funding (32) plc. Breakage costs of £817,968 were incurred and have been recognised in the income and expenditure account. As a result of the cancellation of the debt, the debt service reserve was released with cash and investments totalling £768,660 repaid to Circle Housing Mercian resulting in a surplus of £45,430.

Policy

The Group has entered into two contractual arrangements that under FRS9 are classed as 'a joint arrangement that is not an entity'. The Group has accounted for its assets, liabilities and cashflows in respect of those arrangements, measured according to the terms of the agreements governing the arrangements, and in line with the Group's accounting policies.

Associated undertakings – joint ventures	Parent company	Class of shares held	No. held	% held
Tredegar Development Company Ltd	Old Ford Homes Ltd	£1 ordinary B share	1	50%
T3B Development Company Ltd	Old Ford Homes Ltd	£1 ordinary B share	1	50%
Wideacre Lifespace Scott LLP	Your Lifespace Ltd	£1 ordinary B share	1	50%
Wideacre Lifespace Saffron LLP	Your Lifespace Ltd	£1 ordinary B share	1	50%

All four joint ventures were struck off during the year as the development work had completed and all properties were sold in prior years.

The total of the Group's loss before taxation from interests in associates and joint ventures was £nil (2013: £nil).

14. Stock and work in progress

Policy

Shared ownership properties are split proportionately between fixed and current assets based on the element relating to their expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds are included in turnover with the remainder classed as a fixed asset.

Shared ownership first tranches for sale, completed properties for outright sale and properties under construction are valued at the lower of cost and net realisable value. Cost comprises land and building cost. Net realisable value is based on estimated sales price after allowing for the costs of completion and disposal.

Group	2014 £m	2013 £m
Parts and warehouse stores	—	0.1
Completed properties	53.9	10.7
Properties under construction	15.3	34.2
	69.2	45.0

Warehouse stores are held by Roddons Housing Association Limited.

Stock of housing properties comprises acquisition and development expenditure on shared ownership properties first tranche. Capitalised development interest charged to stock during the year is £2,645,769 (2013: £1,207,000).

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15. Debtors

Policy

Bad and doubtful debts are provided on rent debtors at 100% for former tenant arrears and 25% for current tenant arrears. This policy applies to all registered providers in the Group and applies equally to both rental income and service charge income.

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Due after more than one year				
Stock transfer – future works (note 20)	**163.4**	185.3	**—**	—
	163.4	185.3	**—**	—
Due within one year				
Rent and service charges receivable	**24.9**	21.3	**—**	—
Less: provision for bad and doubtful debts	**(10.3)**	(9.1)	**—**	—
	14.6	12.2	**—**	—
Amount due from subsidiaries	**—**	—	**7.6**	9.9
Social housing grant receivable	**3.9**	—	**—**	—
Stock transfer – future works (note 20)	**45.6**	59.5	**—**	—
Other debtors	**13.0**	29.8	**3.2**	1.3
Prepayments and accrued income	**6.6**	16.9	**3.7**	1.3
Deferred taxation (note 23)	**0.1**	0.1	**—**	—
	69.2	106.3	**14.5**	12.5
Total debtors within one year	**83.8**	118.5	**14.5**	12.5

16. Current asset investments

	Group		Association	
	2014 £m	2013 £m	2014 £m	2013 £m
Money market deposits – collateral	0.7	0.7	—	—
Money market deposits	17.4	3.7	—	—
	18.1	4.4	—	—

The collateral deposits represent a cash deposit that the Group has to place with a derivative counterparty when the fair value of a derivative or portfolio of derivatives exceeds an agreed amount, and cash prepayments under the terms of the loan agreement with UK Rents (No1) Plc.

17. Creditors: Amounts falling due within one year

	Group		Association	
	2014 £m	2013 £m	2014 £m	2013 £m
Bank overdraft (note 21)	10.3	8.1	—	—
Bank loans and borrowings (note 21)	13.5	6.7	—	—
	23.8	14.8	—	—
Trade creditors	10.0	8.6	1.4	0.7
Capital creditors	10.6	3.8	—	—
Rent and service charge received in advance	8.3	8.7	—	—
Amount owed to Group undertakings	—	—	11.5	12.5
Recycled capital grant fund (note 19)	2.6	2.6	—	—
Disposal proceeds fund (note 19)	1.4	2.4	—	—
Corporation tax	0.1	—	—	—
Other taxation and social security	3.8	2.2	3.6	2.0
Other creditors	5.4	6.4	0.8	0.2
Stock transfer – future works (note 20)	45.6	59.5	—	—
Accruals and deferred income	62.2	63.0	4.3	3.5
	150.0	157.2	21.6	18.9
	173.8	172.0	21.6	18.9

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

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Bank loans and borrowings (note 21)	**1,774.9**	1,750.9	**—**	—
Obligations under finance leases (note 21)	**1.2**	1.2	**—**	—
	1,776.1	1,752.1	**—**	—
Recycled capital grant fund (note 19)	**4.2**	3.0	**—**	—
Disposal proceeds fund (note 19)	**2.0**	1.0	**—**	—
Amount owed to Group undertakings	**—**	—	**13.5**	7.3
Other creditors	**2.2**	2.1	**—**	—
Financial deferred income (note 22)	**0.7**	0.7	**—**	—
Stock transfer – future works (note 20)	**163.4**	185.3	**—**	—
	172.5	192.1	**13.5**	7.3
	1,948.6	1,944.2	**13.5**	7.3

The obligations under finance leases and hire purchase contracts represent outstanding capital on leasing commitments linked to deferred mortgages.

19. Reconciliation of RCGF and DPF balances

Policy

The Group is permitted to set aside repayable capital development grants from staircased shared ownership sales, into a Recycled Capital Grant Fund (RCGF). This Fund is to be utilised in the acquisition of new housing within three years or the grants become repayable to the HCA or GLA. The Group is required to set aside a significant proportion of proceeds from sales under the Voluntary Purchase Grant scheme according to a predetermined formula, under Section 24 of the Housing Act 1996, into a Disposal Proceeds Fund. This Fund is to be utilised in the acquisition of new housing within three years or the grants become repayable to the HCA or GLA.

Group	RCGF £m	DPF £m
As at 1 April 2013	5.6	3.4
Movements:		
– Grants recycled	2.1	–
– New build	(0.9)	–
As at 31 March 2014	**6.8**	**3.4**
Amount due for repayment		
Within one year	2.6	1.4
Within two to three years	4.2	2.0

20. Stock transfers

Policy

Where opportunities for the regeneration of local authority housing stock arise after transfer requests from tenants and residents, the Association may seek to maximise the resources available for regeneration schemes by entering into VAT shelter arrangements. In these circumstances, the underlying substance of the transactions is reflected in the financial statements on a gross basis. The obligation to the local authorities is shown as long-term debtors and the obligation to contractors under the refurbishment contracts is shown in long-term creditors. Amounts due within one year under the arrangements are classified within current assets and liabilities.

The provision for stock transfer works relate to the costs of the works programme to be undertaken on stock transferred to the Group and reflects the Group's legally binding obligation to undertake works under a refurbishment contract. The amount is broken down between amounts due within one year and more than one year.

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for the year ended 31 March 2014

21. Debt analysis

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Due within one year				
Bank overdraft	**10.3**	8.1	**—**	—
Bank loans	**13.5**	6.7	**—**	—
	23.8	14.8	**—**	—
Due after more than one year				
Bank loans	**1,164.7**	1,160.0	**—**	—
Bonds	**610.2**	590.9	**—**	—
Obligations under finance leases	**1.2**	1.2	**—**	—
	1,776.1	1,752.1	**—**	—
	1,799.9	1,766.9	**—**	—

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Debt is repayable as follows:				
Within one year	**23.1**	14.8	**—**	—
Between one and two years	**9.4**	6.7	**—**	—
Between two and five years	**46.6**	24.4	**—**	—
After five years	**1,720.8**	1,721.0	**—**	—
	1,799.9	1,766.9	**—**	—

21. Debt analysis continued

Included within the debt are fair value amounts of £10.6 million (2013: £13.1 million) relating to the acquisition of Mercian Housing Association and £18.7 million (2013: £19.4 million) relating to the acquisition of Russet Homes Limited. The fair value adjustments represent the difference between the book value and the fair value at the date of the acquisitions and this is the price the loans are carried at in the financial statements. £1.9 million of fair value has been released this year as a result of repayment of the Mercian Haven loan.

Also included within the debt are net Bond premium of £33.5 million (of which £8.8 million (2013: £4.1 million) was generated through the Group's sale of £37.2 million of its 2038 retained bonds), interest of £0.5 million (2013: £0.5 million) on the finance lease, overdrawn amounts of £10.3 million (2013: £8.1 million) and loan arrangement costs of £9.7 million.

Of the remaining balance, £1,787.7 million (2013: £1,714.7 million) relates to loans drawn from committed facilities of £2,307.5 million (2013: £2,258.6 million), arranged through the Group's borrowing vehicle, Circle Anglia Treasury Limited. £635.0 million (2013: £635.0 million) is represented by the Bond issue through Circle Anglia Social Housing Plc of which £50.0 million (2013: £68.2 million) is retained within the Group.

Circle Anglia Treasury Limited directly funds the borrowing requirements of the charitable registered providers within the Group. £17.1 million (2013: £25.2 million) of facilities still reside within the charitable RPs (£0.7 million (2013: £0.7 million) finance lease in Wherry Housing Association, £1.5 million (2013: £1.6 million) in historic bonds and loans in Circle 33 Housing Trust, £14.9 million (2013: £22.9 million) in Mercian Housing Association).

Under the facilities, the loans are repayable at various dates through to 2046 and are secured by fixed charges over the completed housing properties of the participating Group members and a series of cross guarantees. The weighted average utilised facility life is 23 years and the weighted average rate of interest charged was 3.37% (2013: 4.67%). The weighted average period to repayment of each facility is 22 years.

Landericus has separate borrowings of £36.3 million (2013: £36.5 million).

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21. Debt analysis continued

The following tables show the maturity and margins on the principal borrowings excluding overdraft:

Maturity of debt

Group	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	**Total £m**
Revolver	—	—	1.2	48.8	**50.0**
Term	11.8	6.2	35.6	1,032.0	**1,085.6**
Bond	—	—	—	635.0	**635.0**
Other	0.9	0.9	3.1	11.5	**16.4**
Finance lease	—	—	—	0.7	**0.7**
	12.7	7.1	39.9	1,728.0	**1,787.7**
Unamortised arrangement fees	(0.4)	(0.4)	(1.3)	(7.5)	**(9.6)**
As at 31 March 2014	**12.3**	**6.7**	**38.6**	**1,720.5**	**1,778.1**
As at 31 March 2013	4.7	4.3	16.7	1,741.3	**1,767.0**

	Funding group			Non-funding group			
	Short-term borrowings £m	Loans falling due after more than one year £m	**Total £m**	Short-term borrowings £m	Loans falling due after more than one year £m	**Total £m**	**Group total £m**
Revolver	—	50.0	**50.0**	—	—	**—**	**50.0**
Term	3.7	1,045.7	**1,049.4**	8.1	28.1	**36.2**	**1,085.6**
Bond	—	635.0	**635.0**	—	—	**—**	**635.0**
Other	0.9	15.5	**16.4**	—	—	**—**	**16.4**
Finance lease	—	0.7	**0.7**	—	—	**—**	**0.7**
	4.6	1,746.9	**1,751.5**	8.1	28.1	**36.2**	**1,787.7**
Unamortised arrangement fees	(0.4)	(9.2)	**(9.6)**	—	—	**—**	**(9.6)**
As at 31 March 2014	**4.2**	**1,737.7**	**1,741.9**	**8.1**	**28.1**	**36.2**	**1,778.1**
As at 31 March 2013	4.2	1,725.6	**1,729.8**	0.6	36.6	**37.2**	**1,767.0**

21. Debt analysis continued

Maturity of facilities

Group	Within one year £m	Between one and two years £m	Between two and five years £m	After five years £m	**Total £m**
Revolver	—	—	2.9	422.1	**425.0**
Term	4.2	6.3	45.9	1,148.7	**1,205.1**
Bond	—	—	—	635.0	**635.0**
Other	0.4	0.4	1.4	3.7	**5.9**
Finance lease	—	—	—	0.7	**0.7**
As at 31 March 2014	**4.6**	**6.7**	**50.2**	**2,210.2**	**2,271.7**
As at 31 March 2013	4.6	4.7	18.0	2,256.5	**2,283.8**

Interest rate analysis

Group	**Total £m**	Floating rate £m	Fixed rate £m	Fixed interest rate %	Time fixed rate debt in years
Revolver	**50.0**	42.0	8.0	5.0	2
Term	**1,085.1**	168.2	916.9	4.5	15
Bond	**635.0**	—	635.0	6.4	27
Other	**16.5**	4.6	11.9	7.6	11
Finance lease	**0.7**	—	0.7	11.8	13
As at 31 March 2014	**1,787.3**	**214.8**	**1,572.5**	**5.3**	**20**
As at 31 March 2013	**1,777.0**	145.1	1,631.9	0.1	19
Cash	**—**	—	—	—	—
Deposits	**(71.1)**	(21.1)	(50.0)	5.2	25
Collateral	**(1.4)**	(1.4)	—	—	—
Cash and deposits	**(72.5)**	(22.5)	(50.0)	5.2	25
Net borrowings as at 31 March 2014	**1,714.8**	**192.3**	**1,522.5**	**5.3**	**19**

The above numbers are based on the notional amount and do not include any adjustments for the issue premium to the amount of debt or effective interest rate.

21. Debt analysis continued

Currency and interest rate analysis of debt

Group	Total £m	Floating rate £m	Fixed rate £m	Fixed interest rate %	Time fixed rate debt in years
Sterling	1,734.9	206.9	1,528.0	4.9	20
Euro	52.4	7.9	44.5	4.7	2
As at 31 March 2014	**1,787.3**	**214.8**	**1,572.5**	**4.9**	**20**
As at 31 March 2013	1,777.0	145.1	1,631.9	4.7	19

The above tables take account of interest rate swaps, forward rate agreements and embedded fixes, which hedge the variable debt as at 31 March 2014 for an average of 15 years (2013: 12 years).

22. Financing deferred income

Policy

Deferred income comprises both premiums on leases which are released over the life of the lease and other income received which is carried forward over the lives of the assets concerned.

	Group	
	2014 £m	2013 £m
Deferred income		
As at 1 April 2013	**0.7**	0.7
Transfer to creditors due in less than one year	**—**	—
As at 31 March 2014	**0.7**	0.7

23. Deferred tax

Policy

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
Provision as at 31 March	**0.1**	0.1	**—**	—

24. Financial commitments

Capital expenditure

Group	**2014 £m**	2013 £m
Expenditure contracted but not provided in the accounts	**188.3**	93.3
Social Housing Grant approved but not received	**(17.7)**	(30.5)
	170.6	62.8
Expenditure approved by the Board, but not contracted	**4.9**	198.9
As at 31 March 2014	**175.5**	261.7

Costs will be funded by a combination of grant, loans and cashflows from operating activities.

As a proportion of the historical cost of fixed assets, the capital committed above represents 8.16% (2013: 7.16%).

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25. Operating leases

Policy

Rentals paid under operating leases (including those paid under 'temporary market rent housing' leases) are charged to the income and expenditure account on an accruals basis.

At 31 March 2014 there were the following annual operating lease commitments on leases expiring:

	Group		Association	
	2014 £m	2013 £m*	**2014 £m**	2013 £m*
Within one year				
Land and buildings	**0.7**	0.5	**0.2**	—
Other	**0.3**	0.4	**0.2**	0.3
Between two and five years				
Land and buildings	**0.9**	1.5	**—**	0.2
Other	**1.3**	1.0	**1.0**	0.6
After five years				
Land and buildings	**2.2**	2.3	**0.3**	0.3
Other	**—**	—	**—**	—
Total	**5.4**	5.7	**1.7**	1.4

* 2013 has been updated to reflect annual leave commitments by expiry date as at 31 March 2013.

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

Group	2014 £m	2013 £m
Operating surplus	**110.1**	95.1
Non-cashflow items		
Depreciation of tangible fixed assets and components written off	**46.6**	42.5
Net impairment reversal	**(0.1)**	(1.0)
Goodwill amortisation	**0.1**	1.0
Bond premium amortisation	**—**	(0.2)
Movement in pension funding provision	**0.7**	(0.7)
	157.4	136.7
Working capital movements		
Stock	**(24.2)**	3.4
Debtors	**20.8**	(27.3)
Creditors	**8.9**	(6.3)
Movement in investment in joint ventures	**—**	0.1
Net cash inflow from operating activities	**5.5**	30.2
	162.9	106.6

27. Reconciliation of net cashflow to movement in net debt

Group	2014 £m	2013 £m
Decrease in cash	**(1.5)**	(9.9)
Cash inflow/(outflow) from increase in liquid resources	**13.7**	(9.3)
Cash outflow from increase in debt	**(30.8)**	(33.6)
Loan fair value adjustment	**—**	1.6
Increase in net debt from cashflows	**(18.6)**	(51.2)
Net debt as at 1 April 2013	**(1,753.3)**	(1,702.1)
Net debt as at 31 March 2014	**(1,771.9)**	(1,753.3)

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for the year ended 31 March 2014

28. Analysis of changes in net debt

	At 1 April 2013 £m	Cashflow £m	**At 31 March 2014 £m**
Cash at bank and in hand	9.2	0.7	**9.9**
Bank overdraft	(8.1)	(2.2)	**(10.3)**
Changes in cash	1.1	(1.5)	**(0.4)**
Current asset investments	4.4	13.7	**18.1**
Loans	(1,758.8)	(30.8)	**(1,789.6)**
Changes in net debt	(1,753.3)	(18.6)	**(1,771.9)**

29. Contingent liabilities and assets

Circle Thirty Three Housing Trust Limited is contracted to two performance bonds, one for £250,000 with Lewisham Borough Council and one for £78,840 with the London Borough of Islington. These have been set up to compensate the relevant district council for the cost of finding a new contractor in the event of the Group's non-performance. No events have occurred which would result in the crystallisation of this bond.

Mercian Housing Association has a contingent asset relating to a claim for recovery of a £696,000 deposit and expenses. This claim is being made against the insurers and solicitors acting for Zenith Development Partnership Limited, which provides housing and building services to the Association. The deposit was found not to be insurance backed at the time the developer of Midland Road Walsall went into administration. A final pre-action letter and particulars of claim have been issued to both the solicitors and insurers on the basis that one or other of the parties is liable to pay the deposit and expenses to Mercian Housing Association. Trial is expected early 2015.

30. Pension obligations

Policy

The Group participates in several defined benefit pension schemes which provide benefits based on final pensionable pay. The assets of the schemes are held separately from those of the Group, being invested in independently managed superannuation funds.

Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. In accordance with FRS17, the pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full. The movement in the scheme surplus/deficit is split between operating charges, finance items and actuarial gains and losses.

Pension costs are assessed in accordance with the advice of independent qualified actuaries. Costs include the regular cost of providing benefits which, it is intended, should remain a substantially level percentage of the current and expected future earnings of the employees covered. Variations from the regular pension costs are spread evenly through the income and expenditure account over the average remaining service lives of the current employees.

Certain employees have opted to take out separate arrangements under various defined contribution schemes which they have chosen. The assets of such schemes are also separate from those of the Group, being invested by independent fund managers. Contributions by the Group are charged to the income and expenditure account in the year in which they are payable to the schemes.

Notes to the financial statements continued

for the year ended 31 March 2014

30. Pension obligations continued

Group summary

a) Defined contribution schemes

Members of the Group participate in a number of defined contribution schemes administered by several pension providers in respect of certain employees. The total of all employer pension costs in respect of the year ended 31 March 2014 is shown in note 9.

b) Defined benefit schemes

Members of the Group operate a number of defined benefit pension schemes, as summarised below:

Scheme	Norfolk County Superannuation Fund		Surrey County Council Superannuation Fund	Cambridgeshire County Council Superannuation Fund	Kent County Council Pension Fund		London Borough of Merton Pensions Fund	Other	
Group member	Circle Anglia Limited	Anglia Maintenance Services Limited	Mole Valley Housing Association	Roddons Housing Association	Invicta Telecare Limited	Russet Homes Limited	Merton Priory Homes	See note below	**Totals**
Current number of employees in the scheme	41	16	22	36	31	45	99	29	**319**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**
Scheme deficit at 31 March 2014	12.7	0.5	0.9	1.7	1.3	7.0	2.0	1.5	**27.6**
Deferred tax assets	(2.5)	(0.1)	—	—	(0.3)	—	—	—	**(2.9)**
Net scheme deficit at 31 March 2014	**10.2**	**0.4**	**0.9**	**1.7**	**1.0**	**7.0**	**2.0**	**1.5**	**24.7**

Note: Details of all of the funds can be found in the individual entities' financial statements. 'Other' represents six pension funds for Circle Care and Support Limited and Old Ford Housing Association each with fewer than 10 members and therefore considered to be below the materiality level for reporting in the consolidated financial statements. The pension funds are: Islington Council (Circle Care and Support Limited), London Borough of Camden (Circle Care and Support Limited), Cambridgeshire County Council (Circle Care and Support Limited), Kent County Council (Circle Care and Support Limited), London Borough of Tower Hamlets (Old Ford Housing Association) and London Pensions Fund Authority (Old Ford Housing Association).

The following defined benefit schemes have 10 or fewer active members and therefore have not been disclosed on grounds of materiality: National Health Service Pension Scheme and Social Housing Pension Scheme.

30. Pension obligations continued

Group summary continued

Principal actuarial assumptions at the end of the year were as follows:

	2014	2013
Inflation	**2.4%–2.9%**	2.4%–2.8%
Pension increase rate	**2.4%–2.9%**	2.4%–2.8%
Salary increase rate	**3.6%–4.7%**	4.2%–5.1%
Expected return on assets	**5.8%–6.4%**	4.5%–5.8%
Discount rate	**4.3%–4.6%**	4.2%–4.7%

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males years	Females years
Current pensioner aged 65	21.1–22.7	22.1–25.5
Future retiree upon reaching 65	24.3–24.9	26.4–27.9

The fair value of the assets held by the pension scheme and the expected rate of return for each asset is as follows:

Long-term expected rates of return:

	2014	2013
Equities	**6.6%–7.1%**	4.5%–7.0%
Bonds	**3.8%–3.9%**	2.9%–4.5%
Gilts	**3.4%–3.6%**	3.0%
Other bonds	**4.2%–4.3%**	3.9%–4.1%
Property	**4.6%–6.2%**	3.9%–5.7%
Cash	**0.5%–3.7%**	0.5%–5.0%
Target return portfolio	**5.8%–6.3%**	4.5%–4.6%
Alternative assets	**3.6%–6.5%**	5.0%

Notes to the financial statements continued

for the year ended 31 March 2014

30. Pension obligations continued

Group summary continued

Fair value:

	2014 £m	2013 £m
Equities	**61.0**	57.6
Bonds	**9.1**	7.9
Gilts	**3.5**	3.4
Other bonds	**2.9**	3.1
Property	**7.8**	6.5
Cash	**2.0**	1.9
Target return portfolio	**1.2**	1.0
Alternative assets	**0.1**	0.1
	87.6	81.5

The net pension deficit as the year end comprised the following:

	2014 £m	2013 £m
Total market value of assets	**87.6**	81.5
Present value of scheme liabilities	**(114.9)**	(110.5)
	(27.3)	(29.0)
Present value of unfunded liabilities	**(0.3)**	(0.3)
Scheme deficit	**(27.6)**	(29.3)
Related deferred tax asset	**2.9**	3.8
Net pension liability	**(24.7)**	(25.5)

30. Pension obligations continued

Group summary continued

Movement in deficit in the year:

	2014 £m	2013 £m
Deficit at the beginning of the year	**(29.3)**	(27.0)
Current service costs	**(2.0)**	(2.1)
Contributions paid	**3.0**	2.9
Expected return on employer assets	**4.3**	4.0
Settlements and curtailments	**(0.3)**	(0.1)
Interest cost	**(5.0)**	(4.6)
Actuarial gains/(losses)	**1.7**	(2.4)
As at 31 March 2014	**(27.6)**	(29.3)

Movement in the present value of defined benefit obligation:

	2014 £m	2013 £m
As at 1 April 2013	**(110.8)**	(97.5)
Current service cost	**(2.0)**	(2.1)
Settlements and curtailments	**(0.3)**	(0.1)
Interest cost	**(5.0)**	(4.6)
Contributions by members	**(0.5)**	(0.5)
Actuarial gains/(losses)	**0.1**	(8.4)
Estimated benefits paid	**3.3**	2.4
As at 31 March 2014	**(115.2)**	(110.8)

Notes to the financial statements continued

for the year ended 31 March 2014

30. Pension obligations continued

Group summary continued

Movement in the fair value of the plan assets:

	2014 £m	2013 £m
As at 1 April 2013	**81.5**	70.5
Expected return on assets	**4.3**	4.0
Contributions by the employer	**3.0**	2.9
Contributions by members	**0.5**	0.5
Actuarial gains	**1.6**	6.0
Estimated benefits paid	**(3.3)**	(2.4)
As at 31 March 2014	**87.6**	81.5

The Group expects the employer's contribution for the year ended 31 March 2015 to be approximately £2.7 million.

The major categories of plan assets as a percentage of total plan assets are as follows:

	2014	2013
Equities	**69.7%**	70.8%
Bonds	**10.3%**	9.8%
Gilts	**4.0%**	4.2%
Other bonds	**3.4%**	3.8%
Property	**8.9%**	7.9%
Cash	**2.2%**	2.3%
Target return portfolio	**1.4%**	1.1%
Alternative assets	**0.1%**	0.1%

30. Pension obligations continued

Group summary continued

Analysis of amounts charged to operating surplus:

	2014 £m	2013 £m
Current service costs	**2.0**	2.1
Settlements and curtailments	**0.3**	0.1
	2.3	2.2

Analysis of amounts credited/(charged) to other financial income/(costs):

	2014 £m	2013 £m
Expected return on assets	**4.3**	4.0
Interest on liabilities	**(5.0)**	(4.6)
	(0.7)	(0.6)

History of plan

The history of the plan for the current and prior periods is as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of scheme liabilities	**(115.2)**	(110.8)	(97.5)	(83.3)	(105.1)
Fair value of scheme assets	**87.6**	81.5	70.5	67.4	62.8
Deficit	**(27.6)**	(29.3)	(27.0)	(15.9)	(42.3)

Notes to the financial statements continued

for the year ended 31 March 2014

30. Pension obligations continued

Group summary continued

History of experience gains and losses

	2014 £m/%	2013 £m/%	2012 £m/%	2011 £m/%	2010 £m/%
Experience adjustments on scheme liabilities	**(4.4)**	0.1	(0.7)	8.0	—
Percentage of year end scheme liabilities	**(3.82%)**	0.09%	(0.80%)	9.60%	—
Experience adjustments on scheme assets	**6.1**	6.0	(3.3)	(2.7)	11.0
Percentage of year end scheme assets	**6.96%**	7.36%	(4.68%)	(4.00%)	17.52%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	**1.7**	(2.4)	(12.1)	16.4	(23.1)
Percentage of year end scheme liabilities	**(1.48%)**	(2.17%)	(12.41%)	19.70%	(21.96%)

Circle Anglia Limited

The Norfolk County Council Superannuation Fund

The Association operates a defined benefit scheme for employees, the assets of which are held in a separate trustee administered fund, the Norfolk County Council Superannuation Fund. The actuarial liabilities in relation to the scheme are subject to triennial valuation by independent actuaries. The last triennial valuation was carried out in 2013 and an actuarial valuation was carried out for 31 March 2014 using the projected unit method.

Principal actuarial assumptions at the year end were as follows:

	2014	2013
Inflation	**2.8%**	2.8%
Pension increase rate	**2.8%**	2.8%
Salary increase rate	**3.6%**	5.1%
Expected return on assets	**5.8%**	5.1%
Discount rate	**4.3%**	4.5%

30. Pension obligations continued

Circle Anglia Limited continued

The Norfolk County Council Superannuation Fund continued

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date are based on standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year old to live for a number of years as follows:

	Males years	Females years
Current pensioner aged 65	22.1	24.3
Future retiree upon reaching 65	24.5	26.9

The fair value of the assets held by the pension scheme and the expected rate of return for each asset is as follows:

Long-term expected rates of return:

	2014	2013
Equities	**6.7%**	5.7%
Bonds	**3.9%**	3.8%
Property	**4.8%**	3.9%
Cash	**3.7%**	3.0%

Fair value:

	2014 £m	2013 £m
Equities	**15.3**	15.4
Bonds	**5.0**	4.3
Property	**2.9**	2.5
Cash	**0.7**	0.5
	23.9	22.7

FINANCIAL STATEMENTS

30. Pension obligations continued

Circle Anglia Limited continued

The Norfolk County Council Superannuation Fund continued

The net pension deficit at the year end comprised the following:

	2014 £m	2013 £m
Total market value of assets	**23.9**	22.7
Present value of scheme liabilities	**(36.4)**	(35.6)
	(12.5)	(12.9)
Present value of unfunded liabilities	**(0.3)**	(0.3)
Scheme deficit	**(12.8)**	(13.2)
Related deferred tax asset	**2.6**	3.2
Net pension liability	**(10.2)**	(10.0)

Movement in deficit in the year:

	2014 £m	2013 £m
Deficit at the beginning of the year	**(13.2)**	(11.1)
Current service costs	**(0.4)**	(0.2)
Contributions paid	**0.8**	0.9
Expected return on employer assets	**1.2**	1.1
Settlements and curtailments	**—**	(0.1)
Interest cost	**(1.6)**	(1.5)
Actuarial gains/(losses)	**0.4**	(2.3)
As at 31 March 2014	**(12.8)**	(13.2)

30. Pension obligations continued

Circle Anglia Limited continued

The Norfolk County Council Superannuation Fund continued

Movement in present value of defined benefit obligation in the year:

	2014 £m	2013 £m
As at 1 April 2013	**(35.9)**	(31.0)
Current service cost	**(0.4)**	(0.2)
Settlements and curtailments	**—**	(0.1)
Interest cost	**(1.6)**	(1.5)
Contributions by members	**(0.1)**	(0.1)
Actuarial gains/(losses)	**0.2**	(3.9)
Estimated benefits paid	**1.1**	0.9
As at 31 March 2014	**(36.7)**	(35.9)

Movement in fair value of plan assets in the year:

	2014 £m	2013 £m
As at 1 April 2013	**22.7**	19.9
Expected return on assets	**1.2**	1.1
Contributions by the employer	**0.8**	0.9
Contributions by members	**0.1**	0.1
Actuarial gains	**0.2**	1.6
Estimated benefits paid	**(1.1)**	(0.9)
As at 31 March 2014	**23.9**	22.7

The Association expects the employer's contribution for the year ending 31 March 2015 to be approximately £1.121 million.

30. Pension obligations continued
Circle Anglia Limited continued
The Norfolk County Council Superannuation Fund continued

The major categories of plan assets as a percentage of total plan assets are as follows:

	2014	2013
Equities	64%	68%
Bonds	21%	19%
Property	12%	11%
Cash	3%	2%

Analysis of amounts charged to the income and expenditure account:

	2014 £m	2013 £m
Current service costs	0.4	0.2
Settlements and curtailments	—	0.1
	0.4	0.3

Analysis of amounts credited/(charged) to other financial income/(costs):

	2014 £m	2013 £m
Expected return on assets	1.2	1.1
Interest on liabilities	(1.6)	(1.5)
	(0.4)	(0.4)

30. Pension obligations continued

Circle Anglia Limited continued

The Norfolk County Council Superannuation Fund continued

History of plan

The history of the plan for the current and prior periods is as follows:

	2014 £m	2013 £m	2012 £m	2011 £m	2010 £m
Present value of scheme liabilities	**(36.7)**	(35.9)	(31.0)	(27.6)	(36.1)
Fair value of scheme assets	**23.9**	22.7	19.9	19.7	20.3
Deficit	**(12.8)**	(13.2)	(11.1)	(7.9)	(15.8)

History of experience gains and losses:

	2014 £m/%	2013 £m/%	2012 £m/%	2011 £m/%	2010 £m/%
Experience adjustments on scheme liabilities	**0.8**	0.1	(0.6)	4.1	—
Percentage of year end scheme liabilities	**2.18%**	0.28%	(1.94%)	14.86%	—
Experience adjustments on scheme assets	**0.2**	1.6	(1.2)	(1.8)	3.8
Percentage of year end scheme assets	**0.84%**	7.05%	(6.03%)	(9.14%)	18.72%
Total amount recognised in the Statement of Total Recognised Surpluses and Deficits	**0.4**	(2.3)	(3.5)	4.3	(9.3)
Percentage of year end scheme assets/(liabilities)	**1.09%**	(6.41%)	(11.29%)	15.58%	(25.76%)

Defined contribution pension schemes

The Group participates in several stakeholder pension schemes to provide retirement benefits for eligible employees of the Group. Contributions to the stakeholder pension scheme are calculated as a percentage of pensionable salary and are charged to the income and expenditure account. The schemes are not contracted out of the State Earnings Related Pension Scheme. Monthly contributions from each member are invested in the Standard Life Corporate Plan in accordance with the wishes of each member.

30. Pension obligations continued

Social Housing Pension Scheme (SHPS)

The Group participates in the Social Housing Pension Scheme (the Scheme). The Scheme is funded and is contracted out of the State Pension scheme.

It is not possible in the normal course of events to identify on a consistent and reasonable basis the share of underlying assets and liabilities belonging to individual participating employers. This is because the Scheme is a multi-employer scheme where the Scheme assets are co-mingled for investment purposes, and benefits are paid for total Scheme assets. Accordingly, due to the nature of the Scheme, the accounting charge for the period under FRS 17 represents the employer contribution payable.

The Trustee commissions an individual valuation of the Scheme every three years. The main purpose of the valuation is to determine the financial position of the Scheme in order to address the level of future contributions required so that the Scheme can meet its pension obligations as they fall due.

The last formal valuation of the Scheme was performed as at 30 September 2011 by a professionally qualified actuary using the projected unit method. The market value of the Scheme's assets at the valuation date was £2,062 million. The valuation revealed a shortfall of assets compared with the value of the liabilities of £1,035 million, equivalent to a past service funding level of 67.0%. The next valuation will take place as at 30 September 2014.

The Scheme actuary has prepared an actuarial report that provides an approximate update on the funding position of the Scheme as at 30 September 2013. Such a report is required by legislation for years in which a full actuarial valuation is not carried out. The market value of the Scheme's assets at the date of the actuarial report was £2,718 million. The actuarial report revealed a shortfall of assets compared with the value of liabilities of £1,151 million, equivalent to a past service funding level of 70.0%.

31. Related party transactions

As at 31 March 2014, there was one Board and Committee member that was a Circle Anglia Ltd tenant or shared owner (2013: one). Their tenancy or lease agreement was granted on normal commercial terms as for all other tenants and shared owners of their associations and housing management procedures, including those relating to the management of arrears, have been applied consistently. As such their position does not afford them any additional benefits and does not provide an advantage over other tenants.

32. Non-equity share capital

With the exception of the Chief Executive Officer, each member of the Board of management holds a non-equity share of £1 in the Association. The shares carry the right to vote at meetings of members on the basis of one share, one vote. They do not carry any right to a dividend, to any redemption value or to any distribution on winding up.

Association	2014 £	2013 £
Shares of £1 each issued and fully paid:		
As at 1 April 2013	9	10
Shares issued during the year	—	2
Shares surrendered during the year	—	(3)
As at 31 March 2014	**9**	9

33. Reserves

Group	Designated reserves: Major repairs reserve £m	Designated reserves: Improvements reserve £m	Other reserves £m	Revenue reserve £m	Total £m
As at 1 April 2013	0.6	0.5	6.4	387.9	**395.4**
Surplus for the year	—	—	—	44.5	**44.5**
Deficit on exchange rates	—	—	—	(1.2)	**(1.2)**
Transfer between reserves	—	—	0.6	(0.6)	**—**
Pension actuarial gain net of deferred tax and exceptional pension credit	—	—	—	1.5	**1.5**
As at 31 March 2014	**0.6**	**0.5**	**7.0**	**432.1**	**440.2**

Major repairs reserves and improvements reserves represent the amount of accumulated surpluses put aside to fund major repairs and improvements expenditure on Group properties, and as such their use is limited to these specific purposes.

Other reserves represent the amounts for leaseholder sinking funds and supported housing and general needs scheme upgrades.

Notes to the financial statements continued

for the year ended 31 March 2014

33. Reserves continued

The revenue reserve is used towards funding the day-to-day operations of the Group.

Where funding has been received from bodies other than the Homes and Communities Agency, amounts have been set aside in respect of major repairs and the replacement of furniture and fittings, in accordance with individual funding arrangements.

Sinking funds to cover the cost of major works are held on trust where required for leaseholders. Annual contributions from leaseholders are based on independent qualified chartered surveyors' reviews of stock condition surveys and a programme of planned works. The contributions are set aside to a restricted reserve.

34. Reconciliation of movement in Group and Association funds

	Group		Association	
	2014 £m	2013 £m	**2014 £m**	2013 £m
As at 1 April 2013	**395.4**	372.5	**(14.2)**	(12.2)
Surplus/(deficit) for the financial year	**44.5**	24.9	**(2.0)**	(0.2)
Deficit on exchange rates	**(1.2)**	(0.2)	**—**	—
Net actuarial gains/(losses) net of deferred tax and exceptional pension credit	**1.5**	(1.8)	**0.4**	(1.8)
Closing funds as at 31 March	**440.2**	395.4	**(15.8)**	(14.2)

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BUSINESS HEAD

All our surplus is invested back into providing more homes and enhancing the life chances of our customers. To grow our business and support more people we need to optimise the surplus we make.

Delivering social value through a business head and social heart

We are always trying to open doors and provide chances. We help people fulfil their potential and live better, more independent lives.

SOCIAL HEART

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Enhancing Life Chances