



**Circle Housing  
Annual Report  
and Accounts 2015**



Enhancing Life Chances

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Circle Housing is one of England's largest housing associations. By acting with a business head and social heart, we provide desirable homes, sustainable communities and trusted services to around 300,000 customers.

Read this report online at  
[www.circlegroup.org.uk](http://www.circlegroup.org.uk)



Front cover captions from top left, clockwise:

The £80 million regeneration of Orchard Village; boy watching demolition of the final tower block in Orchard Village; our 51 home Passivhaus scheme in Rainham, Essex; a customer wearing a Centra Pulse telecare wrist pendant; neighbours' day at Circle Housing Mole Valley

# Our mission and values

Our wider mission is to enhance the life chances of our customers. Having a secure, good quality home in a thriving community is the cornerstone of this. We help customers to live independently through a wide range of housing choices, including affordable homes, supported living and sheltered housing, across 113 local authorities. We invest in supporting customers to become financially resilient and independent through expert advice, training and learning new skills. We also offer a range of responsive telecare, care and support services that help people remain independent in their own homes for as long as possible.

## 70,000

properties owned and managed across England

## 100,000

people given 24/7 telecare support

## 300,000

customers at the heart of everything we do

## 3,000

dedicated staff

## Our core values

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



### 1. Human focused

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



### 2. Moving forward

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



### 3. Stronger together

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



### 4. Efficient

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

→ [Learn more about the homes we own and manage from page 8 onwards](#)

→ [Learn more about our people on page 4](#)

# Our strategy

## Our strategy defines the direction we are taking to achieve our mission of enhancing life chances.

- Read more about how we manage our assets and our development and regeneration plans on page 30
- Read more about the changes we are making to our repairs and maintenance service on page 31

Our long-term goals remain the same:

- to provide safe and secure homes that are affordable to people on different budgets
- to increase the supply of homes
- to give the support our customers need through a variety of services to help them to independence
- to offer our services at lower cost by being more efficient
- to maintain our financial strength

In light of the difficulties we experienced in the last year relating to our repairs and maintenance service in parts of London, we have re-prioritised our immediate strategic objectives so that restoring a consistent and reliable service is our first priority.



### 1. RESTORING CUSTOMER SATISFACTION IN CORE SERVICES

The single most important service we provide as a landlord is a consistent and reliable repairs and maintenance (R&M) service. Our highest priority is to restore our R&M service to historically high levels. The reason for this is that it directly impacts our customers, our ability to win new business and our overall reputation.

#### What are we doing?

- We have appointed a Programme Director whose single responsibility is to get our R&M service right, who will report into a new Executive Director of Property.
- We have reviewed and terminated our responsive contract in London and appointed new providers. This includes revising our strategy for London, where we have moved away from partnership contracts to new agreements that allow us to be more flexible and nimble.
- We have made changes to our lines of communication to improve the speed at which we respond to customers.
- We have made a one off budget provision to provide resources and additional support over the next year.
- Our work in the effective management of our property assets has strong links to our R&M service. We are reviewing the delivery of planned works to reduce property voids.



## 2. CREATING AN ORGANISATIONAL STRUCTURE THAT SUPPORTS OUR VISION

We are transforming the way we operate by implementing a three-year change programme across the whole organisation. We are doing this so that we can improve customer experience and offer services at lower cost. This will help us to deliver greater value for money and allow us to invest more into our social activities.

### What are we doing?

- Increasing the ratio of front-line staff, restructuring our leadership team and delayering the management structures of our business.
- Investing in our customer-facing services and offering customers the choice to access products and services online.
- Reducing our office space and creating work environments that inspire.
- Introducing Group-wide best practice and procedures.
- Harnessing technology to provide a simpler set of tools and improve customer contact.
- Increasing our long-term investment capacity.



## 3. PROVIDING THE SUPPORT OUR CUSTOMERS NEED THROUGH A VARIETY OF CHANNELS

We are preparing our customers and ourselves for the rollout of Universal Credit and further welfare reforms and policy changes that may affect the way we work. Our research from our Universal Credit pilot has demonstrated that we need to provide additional support during the transition. This enables customers to adjust to the changes, manage their budgets and ensure that we keep rent arrears as low as possible. We have also learnt which services and strategies are the most effective to foster financial independence and resilience.

### What are we doing?

- Through a pilot scheme called 'Housing Benefit To You' we are conducting research to understand how customers will cope with having their benefits paid directly to them rather than to their landlord.
- We are talking directly to our customers, as well as providing information, to explain how Universal Credit will affect them and what they need to do to prepare.
- We have been putting in place the additional financial tools and systems necessary to manage the increased number of rent payments we will have to deal with and discussing options on how customers can pay their rent.



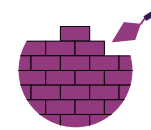
## 4. EMPOWERING OUR COLLEAGUES TO PERFORM TO THEIR BEST POTENTIAL

After initiating changes during 2013/14, we have made huge strides in transforming our work culture and the way in which our business is organised this year, so that we can provide better service to our customers, adapt to our changing markets and achieve our vision.

### What are we doing?

- All colleagues have completed 'Customers and People at the Heart' training so they live and breathe our brand values and this underpins everything we do across the whole organisation.
- We have strengthened and reorganised our leadership team, so that we are more responsive to our customers' needs.
- We are ensuring that we attract and retain the very best talent within the business through fully integrating diversity and inclusion into our business practices, adopting new working practices such as becoming an agile workforce, and offering secondments and training courses.

➔ **Read more about what we have been doing to create an agile, flexible and independent workforce that is highly responsive to our customers' needs on page 4**



## 5. GROWING THE SUPPLY OF AFFORDABLE HOMES AND IMPROVING THE QUALITY OF HOMES WE OFFER

During the last year we completed the development of 674 much needed homes. We manage our assets carefully to make sure we optimise their value and they are efficient for us and our customers to run.

### What are we doing?

- Our long-term financial plan includes delivering over 2,500 affordable homes between 2015 and 2018.
- As funding for affordable homes continues to reduce we need to develop a greater proportion of homes which we offer for shared ownership and private sale, so that the proceeds can be used to subsidise our affordable homes and social rent programme.
- We continued our £80 million flagship regeneration scheme in Rainham, London Borough of Havering, which provides 516 new, high-quality and energy efficient homes.
- We have been carrying out detailed consultation with residents over the potential regeneration of three estates in the London Borough of Merton.

# Our people

## We are transforming our work culture and the way our business is organised so that we can adapt to our changing markets and achieve our vision.

The important changes we initiated in the previous year gained real momentum in 2014/15.

### Customers and people at the heart

As a values-led business we are proud to have a workforce of 3,000\* who are committed to our mission to enhance life chances. We have now completed our 'Customers and People at the Heart' brand values training with all our colleagues. These brand values are shaping our three-year change programme to transform the way we operate, deliver consistently excellent services to our customers and improve value for money across the organisation.

We are strengthening and streamlining our leadership team and creating a scalable and agile team. So that we are more responsive to customer needs, our management structure is being simplified and we are introducing greater accountability and ownership by our leaders. For example our Neighbourhood Teams maintain local relationships and ensure that our services reflect the needs of the community they serve. We have introduced a Director of Customer Experience who has overall responsibility for maintaining and driving consistency of our customers' experience.

Circle Housing provides people with rewarding long-term career opportunities. We are ensuring our colleagues have the right skills and that we recruit the best talent to grow the business. To help this we have made our recruitment process simpler, created more apprenticeship opportunities and offer more professional development qualifications to our colleagues than ever before.

\* of which 2,476 are contractually employed by Circle Anglia Limited

We moved 100 colleagues to new offices at King's Cross, London and are closing two offices. This reduced the fixed space we use and will provide savings of over £600,000 a year. The new site offers a flexible meeting and event space which is better suited to our modern working practices.

In June 2015 we completed the rollout of agile working which has been very successful. Agile staff can now work at a location most appropriate to their job role. It has made our workforce more productive and increased the time we can spend with our customers, improving communication and staff satisfaction. We were finalists in Business in the Community's Opportunity Now top 100 employers for women because of the successful impact that changing to work in an agile way has had on our workforce.

### Diversity and Inclusion

Our leading approach to Diversity and Inclusion (D&I) has gained considerable recognition in the last year. D&I is integrated into our business practices and almost 10% of our workforce is either a D&I champion or a member of one of our five networks. D&I forms a key part of our employer brand strategy. It is important as it enables us to recruit and retain talent more easily as well as helping to ensure our workforce reflects our customers so that their voice is heard.

## Top 5%

During the year we were awarded Investors in People Bronze status. Circle Housing is now in the top 5% of UK organisations that hold Investors in People accreditation. The assessment outlines and recognises the things we do well and has given us a blueprint for where we can improve. We don't just want to be 'really good' – we want to be excellent, and we will continue working towards the Gold standard.



### Some achievements in the last year

- Our D&I film premiered at the National Housing Federation and is now streamed by the Chartered Institute of Housing as an example of best practice.
- Our Executive Director of Resources, Robert Kerse, featured as a Daily Telegraph and Financial Times top 100 LGBT role model.
- Our Head of Organisational Development and Diversity & Inclusion, Jen Smith, was elected by sector peers to Chair of the D&I Group for social housing in London and shortlisted as Group Head of Diversity of the Year 2014.
- We brokered a national partnership with Housing Diversity Network, establishing a Board Mentoring Scheme. The aim is to encourage other housing associations to benefit from our expertise, and drive Board engagement on D&I issues, as well as further develop the skills and expertise of our own Board members.
- We became a top 10 BAME employer within the public sector.
- We were winner of Race for Opportunity's Future Workforce Award – Small Organisation and the Employers Network for Equality & Inclusion Community Impact Award.
- Our presence at the Pride in London festival generated 882 hits on our careers website on the following Monday.
- We advised other housing associations and organisations on D&I strategy, such as Transport for London, Reed and Badenoch & Clark.
- We were rated a Stonewall top 100 employer having raised our ranking from 244th to 32nd in just two years.

### Why staff networking groups are good for business

We have five networking groups that organise events, publish information for staff and host live discussions on our internal social networking site. They are open to all staff and help our colleagues make new contacts at all levels in the organisation. Our networks directly influence changes to policies and processes, make Circle Housing a better place to work and help us recruit from a diverse talent pool.

Our staff network model was featured as a case study of best practice in a recent book called 'The Power of Staff Networks'.

Our Staff Networking Groups:

- Carers' Network
- Gender Network
- BAME (Black, Asian and Minority Ethnic) Network
- LGBT (Lesbian, Gay, Bisexual and Transgender) Network
- Ability and Wellbeing Network

Our Carers' Network was formed in April 2015 to support carers in our workforce. Carers have specific needs in the workplace that are often not met. We are working with Employers for Carers and Carers Trust to create new policies and to raise awareness with colleagues. The Carers' Network is making great strides in improving and publicising reasonable changes so that everyone will know what support they can get from our organisation.

# 196

secondments giving colleagues exciting opportunities to widen their skills and experience

# 1,600

agile workers

# How we work

## The Group

Group turnover

**£411.8m**

(2014: £362.7m)

Group operating surplus

**£105.8m**

(2014: £110.1m)



Enhancing Life Chances

Circle Housing manages over 70,000 properties and provides services to around 200,000 people across England through nine Group partners, also known as Registered Providers.

### Our Registered Providers Number of properties

Circle Housing Circle 33	17,484
Circle Housing Mercian	3,333
Circle Housing Merton Priory	9,925
Circle Housing Mole Valley	4,650
Circle Housing Old Ford	6,263
Circle Housing Roddons	4,553
Circle Housing Russet	8,653
Circle Housing South Anglia	8,630
Circle Housing Wherry	7,359

→ [Learn more about Circle Housing's highlights on page 29](#)



Enhancing Life Chances

All our non-social housing business sits under the Centra brand. This includes our care, support and telecare businesses, as well as our commercial property partner and management business. Centra provides services to around 100,000 customers.

### Our brands

#### Centra Care and Support

Care and Support  
Prime Care  
Pulse and Connect  
Alone in London

#### Centra Living

Market sale homes  
Private rental sector

→ [Learn more about Centra's highlights on page 32](#)



# Delivering social value



## What is social investment?

The investment made by Circle Housing into activities that are of value to individuals, communities and society as a whole.

## What is social value?

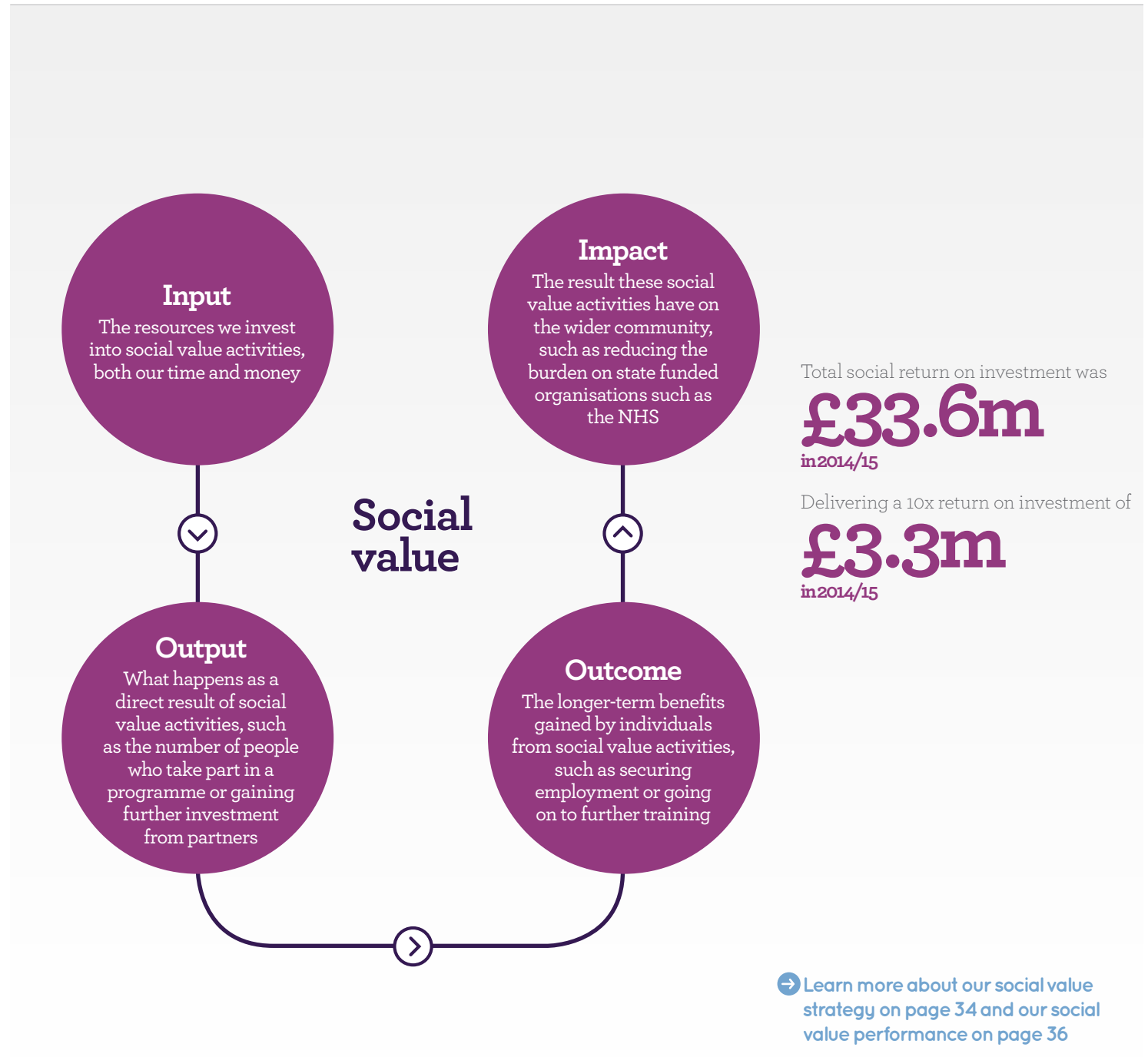
The financial and non-financial impact of delivering social, economic and environmental activities that enhance the life chances of our customers, either directly or indirectly.



## Value for money

We forgo £3.3 million of surplus to generate a social value of £33.6 million.

→ To read more on how we deliver value for money go to page 46



# Where we operate

We house one in every 300 people in England, and one in every 100 Londoners.

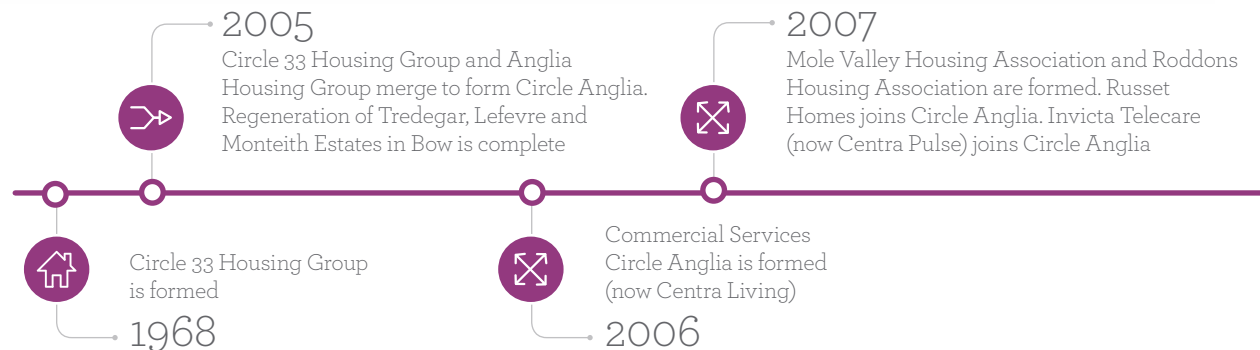
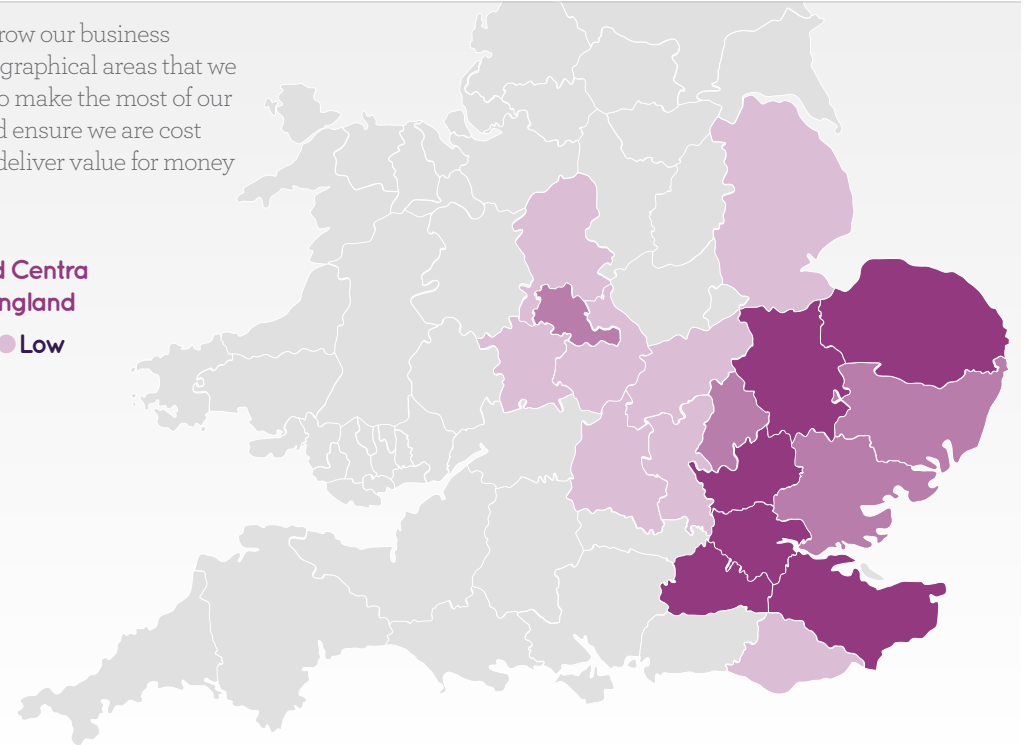
Our presence is still most concentrated in the areas where we first put down roots - London and East Anglia - and we have grown into the West Midlands and the South East.

# Our presence in England

We are looking to grow our business primarily in the geographical areas that we already operate in, to make the most of our local knowledge and ensure we are cost efficient in order to deliver value for money to our customers.

## Circle Housing and Centra presence across England

● High ● Mid ● Low



# Our London presence

We own and manage over  
**29,000**

homes across

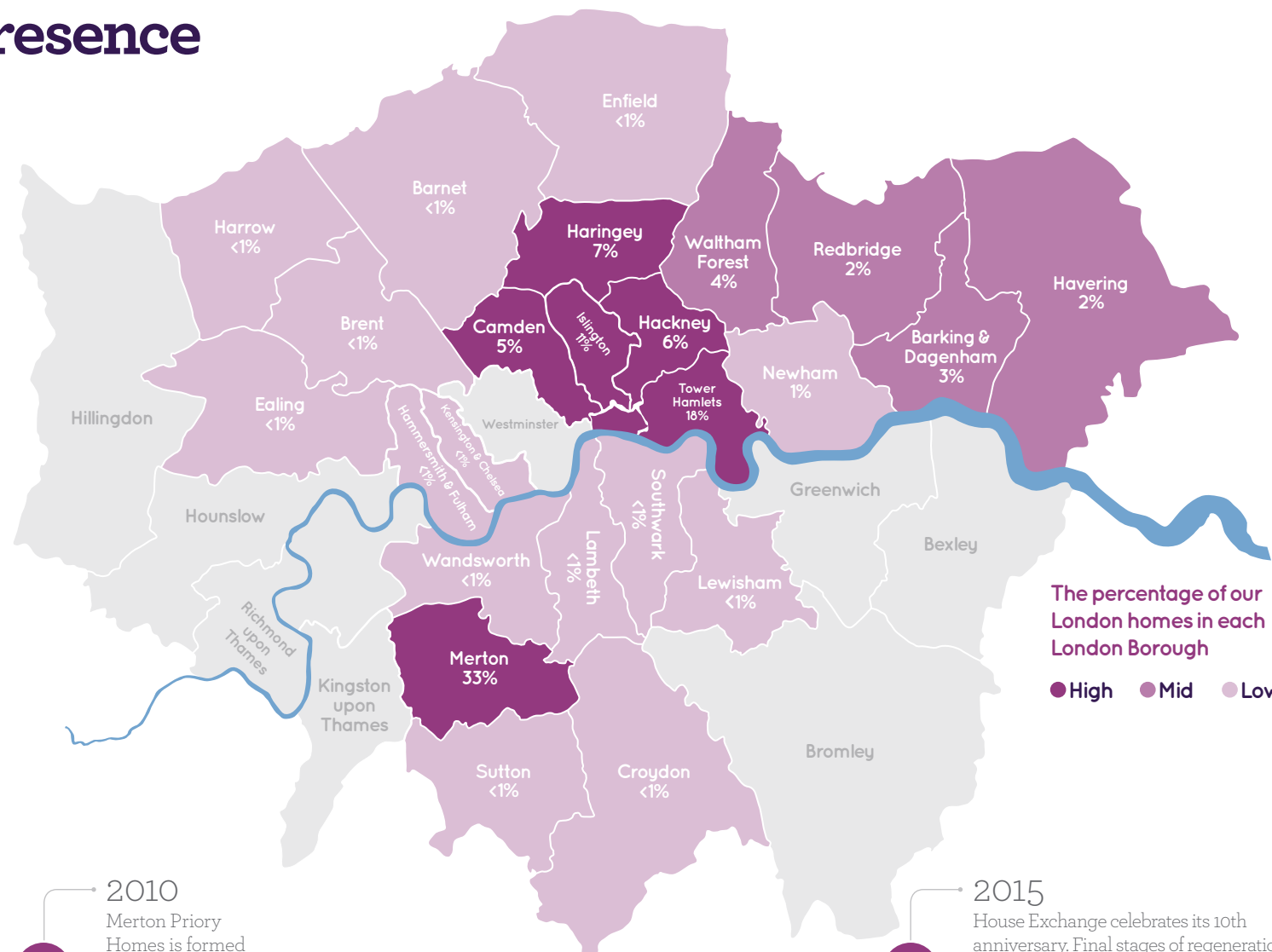
**24**

London Boroughs

Over

**18,600**

of these (64%) are social or affordable  
rented homes



# Regenerating communities

**“At High Path I am often the first person someone will come to if they have questions or a problem. I like to think this is because they trust me and know that I will always do whatever I can to help.”**



## Donna Brown



### **i** **Regeneration Officer – High Path Estate, Circle Housing Merton Priory**

We are consulting with residents about the possible regeneration of Eastfields, High Path and Ravensbury in the London Borough of Merton. Donna looks after the consultation with residents of High Path.

Donna has been with Circle Housing for five years and has built strong relationships with our customers, colleagues and stakeholders.

“My focus at the moment is going door to door and organising events to explain the regeneration project we are planning for three of our neighbourhoods in Merton. Our customers do recognise that improvements need to be made to their homes and outside spaces to make a meaningful and lasting difference. We believe regeneration is the best way of achieving this. As the day to day contact for High Path I regularly meet with residents to explain our proposals and liaise with the architects and local stakeholders to make sure we’re building a community that reflects what our customers need and want.”

#### **9am – Meeting with the architects**

Today I have a planning meeting with the architects. I am excited to see how the revised plans for High Path have changed after our customer feedback. We discuss conversations that I have had with residents and stakeholders about any concerns and suggestions, such as footpaths, parking and room sizes.

The architects also explain their strategy on ‘designing out’ crime. I learn how good landscaping and estate planning make people feel safer in and around their homes. Real progress has been made on the community spaces and there will be areas aimed at different age groups and needs. The architects also show me how the land is being used more effectively so that the number of homes could increase but room sizes will actually be larger than the current equivalent homes. Each home will have its own private outdoor space.

#### **11am – Sure Start Children’s Centre visit**

The mum and toddler group at Sure Start is a relaxed place to get feedback on our latest plans and catch up on community news. One mum wants to know whether she will be offered a larger home to accommodate her family; and another tells me she has noticed that there has been some loitering on a footpath which is making her nervous. Here I am able to advise that tenants will be rehoused according to their household needs. I also explain that the design proposals for the new neighbourhood at High Path take the issue of anti-social behaviour into account as many residents have told us that this can be a problem.

#### **1pm – In the office**

I need at least two hours every day to follow up with customer enquiries and update my resident database. I also share information with the Neighbourhood Officer to make sure that our homes are occupied by the people they are meant for.





Discussing the proposed new designs for High Path Estate with the architects



Dropping off leaflets for an upcoming event the architects have organised for residents about possible housing types



Catching up on community news at the Sure Start Children's Centre



High Path Estate as it looks now



Working alongside the team who keep the estate looking clean and tidy

Visiting a local resident who has lived at High Path for years, to explain the regeneration plans and what it could mean for her



#### 4pm - Home visit

This afternoon I have an appointment with a resident to explain how the regeneration could affect them. This resident has lived at High Path for years and has mobility issues. Change can be unsettling even if it is for the better, so I explain our plans and what the new homes might look like, how regeneration could affect her, and provide reassurance that we would take her needs into consideration when offering her a new home.

# Highlights of our year

as at 31 March 2015



## Value for money

We are increasing our surplus to replace government subsidies to continue building new affordable homes.

→ To read more on how we deliver value for money go to page 46

→ Learn more about our property portfolio in the Chairman's statement from page 20

### Homes (social and non-social)

Turnover	£380.7m
Operating surplus	£106.9m
Surplus from sales	£13.7m
Management costs	£99.9m
Maintenance spend	£62.8m

We own just over 70,000 properties, generating an income during the year of £380.7 million. We delivered an operating surplus of £106.9 million during the year, enabling us to reinvest in completing 674 new affordable homes and start a further 220 new affordable homes as well as deliver important services to our customers.

### Telecare, care and support

Turnover	£31.1m
Operating deficit	£1.1m

We have a determination to be England's leading provider of telecare through delivering care as well as responsive and reliable remote monitoring services. Over the year we successfully novated 19 support contracts, funded by Kent County Council, from Amicus Horizon. This brought in £3.2 million of new revenue and 350 new customers.

### Group turnover (£m)

10/11	322.8
11/12	332.7
12/13	345.9
13/14	362.7
14/15	411.8

### Group operating surplus (£m)

10/11	89.5
11/12	89.4
12/13	95.1
13/14	110.1
14/15	105.8

### Group surplus (£m)

10/11	28.1
11/12	21.4
12/13	24.9
13/14	44.5
14/15	45.5

### Number of home completions

10/11	954
11/12	1,142
12/13	608
13/14	381
14/15	674

# Property profile



## Value for money

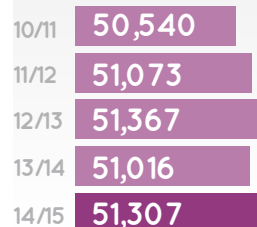
Social rents were originally set at around 40% of market rent to help those in housing need. As housing demand has grown significantly since then we have to let some new homes at affordable rents in order to build and maintain more new homes than we'd otherwise be able to. Our affordable rents are given to new tenancies only and set as low as 30% of market rent in some London Boroughs - significantly less than the Government's recommended 80% of market rent.



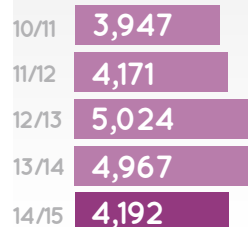
## What is intermediate rent?

This is a subsidised rent of around 80% of the market price in order to enable customers to also save for a deposit to buy their home after five years.

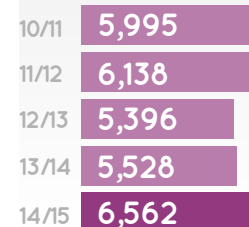
### Social and affordable housing rented



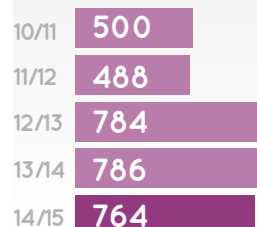
### Low-cost ownership



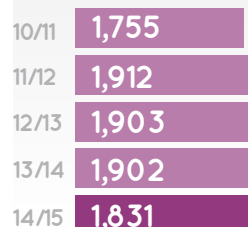
### Leasehold



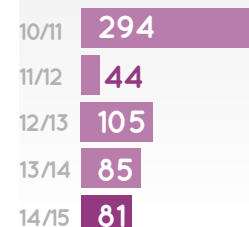
### Intermediate rent



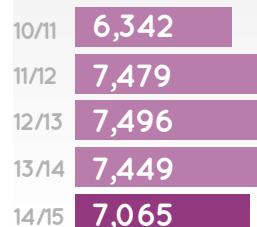
### Market rent and similar



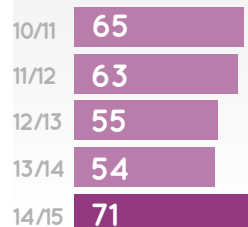
### Other non-social



### Garages



### Staff accommodation



# Our markets

The markets we work in have already seen some huge changes in regulatory regimes, government policies and funding streams. With a new Government now in place, it is likely that more change will come. This creates additional risks for both sides of our business, but also creates opportunities to provide new homes and services that benefit our customers.

## Key market developments

Affordable homes

### Funding sources

Over the course of the last Parliament, housing associations have had to adapt to a new environment, with reductions in government grants impacting on the development of new homes. With a new Conservative Government, this is set to change further still. It is essential that housing associations continue to evolve in order to manage risks and mitigate the impact of new policies. This will become even more vital if social rents are reduced and the government's proposed Housing Bill causes social homes to be sold at below market value and replaced.

### Growing demand

Demand for affordable housing is increasing due to the high cost of living, immigration, birth rates, an ageing population and more single parent households. Extending Right to Buy to housing association tenants could further reduce the number of social homes in higher-value areas and heighten the housing crisis in the least affordable locations.

### Reform

Welfare reform has and will continue to have a major impact on people's budgets and living

choices, with the Government committed to further welfare reform changes including £12 billion of savings over the next five years.

This remains a complex area, with full impacts of earlier reforms such as Universal Credit remaining unknown as its rollout is still under way. Housing associations have tackled this complexity by working more and more closely with their customers to reduce the impacts of the changes on customers' financial stability as well as on the business as a whole.

### Increased costs

The cost of living in real terms is on the rise, particularly in London and the South East. Housing costs now use up over 40% of people's income and, although energy costs have come down recently, many people continue to live in fuel poverty.

Housing associations are looking to bring in major efficiencies across their organisations, including embracing new technologies, to reduce costs and reduce the cost of occupancy. One way of delivering this is through consolidation of a fragmented sector.

## Key market developments

Private rental sector and market sale homes

### Funding sources

With a continued focus to reduce the budget deficit, the Government is looking for ways to make home ownership more affordable while minimising the injection from the public purse. The need for public-private cooperation is now more important than ever.

The starter home initiative, where new homes are offered at a minimum 20% discount below market value to first-time buyers, and Help to Buy are examples of these partnerships.

### Growing demand

Housing demand continues to outstrip supply, with first-time buyers reportedly facing the toughest competition to buy a home at an affordable price. Lack of affordable homes for would-be first-time buyers is also increasing demand for private rental homes. The proposed Housing Bill could increase this housing demand through the sale of high-value council homes, greater pressure on new homes in more affordable areas and through reduced supply of affordable homes in more expensive areas.

# +17%

In the past ten years, the number of people aged 65 and over in England has increased by 1.4 million, a 17% rise

# -16%

Since 2009/10 there has been a 16% real terms reduction in older adult social care funding, amounting to almost £1.3 billion

# +39%

Market rents have risen by 39% in the last ten years



## Key market developments

Care and support

### Reform

The Housing Bill 2015 sets out a range of measures to boost house building and increase home ownership. This includes the addition of 1.3 million housing association tenants to the Right to Buy scheme and the introduction of Right to Build, a policy designed to boost house building. There are also plans to deliver 200,000 starter homes and create a register of brownfield sites available for development.

### Increased costs

With the average cost of a home in the UK now reported at over £200,000, first-time buyers need a wage of over £40,000 a year. For those on lower incomes, securing an affordable mortgage is out of reach. Private sector rents are also reaching all-time highs, particularly in the South East. Commuter belt three bedroom homes have risen by 11.4% in the last three years.\* This is being fuelled by a shortage of supply and is not currently being met by wage increases.

### Funding sources

With greater pressure to make less money go further, many local authorities are now providing services to people with substantial or critical needs only. This is creating more demand for private services and putting greater pressure on the NHS.

### Growing demand

An ageing population means that demand for social care and support is on the rise. In the last ten years there has been a 17% increase in people reaching their 80th birthday. While everyone hopes to remain healthy and active throughout their life, it is more likely that they will be living with health conditions that mean they need support.

### Reform

The upcoming introduction of the Better Care Fund and the Care Act 2014 represent the most widespread reforms to social care and support in the last few decades. The changes aim to integrate councils and NHS services, while helping people to live in their own homes for longer. These reforms have generally been welcomed as they set national standards for assessing individual care requirements and who should pay for them.

### Increased costs

More and more people are having to fund all or part of their care. The Care Act 2014 requires local authorities to provide people with information about services, even if they aren't entitled to council help. The introduction of a cap on people paying for their own care from April 2016 will provide some relief to private payers and is a welcome introduction. New technologies are also giving people in need of care greater flexibility and the chance to stay in their homes for longer while helping to reduce costs.

### Market focus: The rise of the ENDIES

It is not just traditional social housing tenants who are struggling with housing costs, but households on limited incomes as well. With 45% of our homes in London many of our customers are feeling the sharp end of a South East bias.

We recently worked with Centre for London on a piece of research into a group of Londoners we've named the ENDIES. This stands for 'Employed but have No Disposable Income or Savings'. This group accounts for just over 20% of Londoners.

### Our findings

- The decline in real earnings began in 2007, but fell further in London than elsewhere. By 2013 London's median earners were earning 2% less than they were in 2002.
- For those earning median incomes and below, wages in London have decreased faster than they have nationally.
- Whilst they are employed, ENDIES' incomes are limited. More investment in more affordable areas of London is needed to ensure they don't become priced out of their own city.

# £77,000

Salary needed to afford a home in London\*\*

\* Savills \*\* KPMG

# 30

The average age of a first-time buyer in the UK is now 30, rising to an average of 32 in London

# +10%

House prices increased by nearly 10% during 2014

# Our relationships



National, regional and local partnerships play a vital role in helping us to deliver our strategy and serve the needs of our customers.

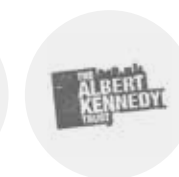
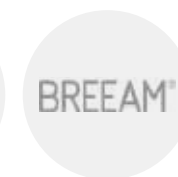
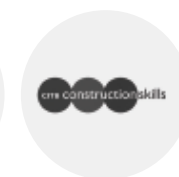
So that we can influence the outcome of the issues we feel passionately about, we also conduct media campaigns, organise events and working groups, and carry out local awareness initiatives.

	GOVERNING BODIES AND FUNDING	PEERS
<b>WHY WE ARE STRONGER TOGETHER</b>	We ensure we are compliant with, and where possible go above, our regulatory requirements.	By working with other housing providers we can reach more people.
<b>WHAT WE ACHIEVE TOGETHER</b>	<ul style="list-style-type: none"> <li>Our accreditation, industry and debt ratings help us access much needed investment so that we can reach more people.</li> <li>By working closely with local authorities we are able to provide essential care and support services.</li> <li>We have access to the latest thinking so that we can shape our future.</li> </ul>	<ul style="list-style-type: none"> <li>We work with our g15 and E7 peers to influence policy.</li> <li>We share best practice so that we can offer more to our customers.</li> </ul>

## SOME OF THE RELATIONSHIPS THAT HELP US ACHIEVE OUR GOALS



POLICY	HOMES	DEVELOPMENT	COMMUNITIES: EMPLOYMENT & SKILLS	COMMUNITIES: FINANCIAL INCLUSION & LIFE CHANCES	PEOPLE
<b>We maintain our leading position in the industry. This gives us the influence to raise issues which affect our customers.</b>	<b>We can provide high-quality affordable homes and create sustainable communities.</b>	<b>We can increase the number of affordable homes in the areas in which we operate.</b>	<b>Our customers have more opportunity to achieve their full potential.</b>	<b>We can provide more services so that our customers can live more independent lives.</b>	<b>Our highly skilled workforce can always be themselves.</b>
<ul style="list-style-type: none"> <li>◦ We liaise with industry bodies, government ministers, civil servants and other policy makers to understand their agenda so that we can prepare for any change.</li> <li>◦ With each new Government we aim to influence policy to benefit our customers.</li> </ul>	<ul style="list-style-type: none"> <li>◦ R&amp;M partners provide services that are critical to our customers.</li> <li>◦ Building contractor partnerships help us to build places where people want to live.</li> </ul>	<ul style="list-style-type: none"> <li>◦ Together with local authorities, we work to understand and take action on planning land and development strategy.</li> <li>◦ We work in partnership to help meet specific health and social needs in our communities.</li> </ul>	<ul style="list-style-type: none"> <li>◦ We work together to help customers to develop skills and access employment and work experience opportunities.</li> <li>◦ Our contractors are also required to offer work and apprenticeship opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>◦ In addition to our own services, our customers can access invaluable information and support that these organisations provide.</li> <li>◦ The work we do with disability charities helps us to enhance the life chances of our customers.</li> </ul>	<ul style="list-style-type: none"> <li>◦ These organisations help us to be representative of the communities we serve.</li> <li>◦ They help us put in new working practices and structures so that we are a great place to work.</li> </ul>



# Building more affordable homes

**“I joined Circle Housing because I have a strong track record in securing land and planning permissions on sites to increase the supply of homes. With social housing funding shrinking every year, building homes for private sale will become increasingly important as a way of producing cross-subsidy to offer homes at affordable rents.”**



## Ranvir Bairwal



### **i Assistant Development Director**

At Circle Housing we are committed to meeting the growing need for affordable homes. We are constantly identifying and acquiring land where we can build mixed use developments and sustainable communities.

“In any one day I can be looking for new projects as well as managing the progress of developments that we have already started. I am also heavily involved in the final phases of our flagship regeneration scheme Orchard Village. So I can be meeting land agents, visiting possible sites, negotiating with vendors, drawing up plans with architects, gathering feedback from communities and working with our partners to solve construction issues. The best part is always when a project is completed and customers move in because I know that we are providing great homes that can transform lives.”

### **9am – Orchard Village GP Centre**

We have been working in partnership with NHS England to provide a new GP surgery at Orchard Village. NHS England has some final queries before instigating their internal procedure to approve this. In order to push this through I have had to engage with local residents via the Neighbourhood Board, local councillors and the local MP, all of whom have written to the NHS to provide support.

### **11am – Visiting a potential development site**

The race is on to find sites that we can work with to build new homes. So that we can compete I often have to move quickly to meet vendor aspirations and timescales. I am also looking at undiscovered areas within a stone's throw of London which still provide good value for money. It is important to walk round a new site as this provides clues of potential development and planning obstacles such as right to light, rights of way or party and river wall issues.

### **1pm – Meeting with construction partners Willmott Dixon**

Back at Orchard Village and I am discussing the last phase of construction plans with our partners Willmott Dixon. All our customers who wanted to have already moved back into their homes and we are now concentrating on building shared-ownership and private homes along with commercial spaces that help fund our plans.

### **2.30pm – Catch-up with our apprentices**

A regular agenda item is the progress of our apprentices to find out how they are doing and if there is anything else we can do to support them. Apprenticeships offer life-changing opportunities and also help to fill the skills gap. An apprentice at Orchard Village was runner up at the Young Builder of the Year Awards in 2014.



On site at Banbury Park with construction partners, Higgins



### 3pm - Banbury Park

Over to one of our new developments, Banbury Park, Waltham Forest where we are building a 350 mixed use development of private and affordable homes with landscaped spaces, shops, offices and a community centre. A lot of remediation work had to be done to this brownfield site, including removing 16 WW2 air raid shelters, and it is great to see this area being revitalised.

→ [Read more on our website](http://www.circlegroup.org.uk)  
[www.circlegroup.org.uk](http://www.circlegroup.org.uk)



↑ Banbury Park during phase one of the build

→ A virtual image of how Banbury Park will look like once it's finished

→ The £80 million regeneration of Orchard Village, London Borough of Havering, is now nearing completion



# Chairman's statement

## In summary

- Circle Housing remains financially strong and secure: we are increasing our return on assets so that we can spend more on building new homes, regenerating communities and providing more and better services to our customers.
- Demand for affordable housing continues to outstrip supply and as people live longer, the need for home care and support will only grow.
- We are continuing to look for opportunities to grow so that we can respond to these demands.
- A low point in the year was the failure of one of our responsive repairs contracts in London. We apologised to customers and put immediate measures in place to address this and to return to the high performance levels which the Group has always achieved.
- We will do all we can to rise to the challenges of the Government's new Right to Buy policy, to the announced 1% reduction in our rental income, and to the additional risks to our rental income from forthcoming welfare reforms.



**“Our vision is to provide people in need with greater opportunities for independent, affordable and secure living. At the cornerstone of this is providing a good quality home in a thriving community.”**

**I am pleased to confirm that this report shows that the Group remains financially strong and secure. We are increasing our return on assets which means that we can spend more on building new homes, regenerating communities and providing more and better services to our residents and customers. This is even more important as demand for affordable housing continues to outstrip supply.**

We are now completing more homes than we promised under the Affordable Homes Programme (AHP) 2011 – 15 and have submitted successful bids for the Greater London Authority (GLA) and AHP 2015 – 18. We are continuing to deliver transformative regeneration projects. Our £80 million regeneration scheme in Rainham, London Borough of Havering, is nearing completion with very positive feedback from residents and the Council. In partnership with the London Borough of Merton, we are now carrying out extensive consultation with residents from 1,200 homes across three estates about a scheme which would transform the local environment and provide more greatly needed homes. The government grant levels in support of our investment are falling rapidly, so if we want to continue to invest in new affordable homes, we need to grow our diversified activities.

This year we sold more properties than previously, and the proportion of homes we offer to shared ownership and private sale will continue to grow. We are on track to return our telecare, care and support services to profitability so that they can make a positive contribution to the Group surplus to help compensate for lower rates of government support.

The implementation of the Care Act 2014 will see the biggest reform to social care and support in decades. We understand the need to reduce funding while alleviating the strain that the NHS is under. We also welcome the drive towards better integrated care and increasing care and support in the home where it is more appropriate. However, as people live longer, the need for home care and support services will only grow.

It is this increasing demand for affordable homes and care and support services, coupled with the increasingly tough market environment in which we are operating, which makes it more important than ever that we continue to look for opportunities to grow. Growth means we can continue to strengthen our performance and enhance our financial robustness, which in turn means we can continue to respond to these increasing demands, by building more homes and helping more residents and customers.

A low point in the year was the failure of one of our responsive repairs contracts in London. This led to unacceptably poor levels of service, and after an investigation by the Homes and Communities Agency (HCA), our Governance rating was downgraded from G1 to G3. We put immediate measures in place to address the situation, including appointing new contractors in Circle Housing Circle 33 and Circle Housing Old Ford to provide residents with the service we expect for them. We apologised to residents who were affected and by summer 2015 we will have improved service levels dramatically and begun to restore the high customer satisfaction levels for which Circle Housing has been known for years. We are working closely with the regulator in order to earn an upwards regrading of our Governance rating.

We face a new challenge to our financial projections, if more of our tenants are to be given the right to buy their homes at discounted prices. Circle Housing has always supported the aspiration of home ownership, which is why we are building more homes than ever for sale or shared ownership; but we share the concerns of many that these new policies may lead to a reduction in the number of social homes, particularly in high-value areas, and therefore exacerbate the existing shortages of affordable housing. We also need to see more detail on how we, as a not-for-profit organisation, are to be compensated for the obligation to sell our property at heavily discounted prices.

Another challenge to our finances is the announced 1% cut to our rental income which will significantly reduce the Group's capacity to achieve our objectives. We undertake a series of financial modelling to ensure we remain ahead of these changes, and we will take the necessary steps to remain financially strong and secure. Some tenants will be affected by further welfare benefit reforms, potentially becoming unable to afford current, and future, rent levels because of reductions in their welfare entitlements. We will continue to do all we can to help and advise residents who are affected by these reforms and will hope to continue our investment in programmes designed to help residents to access financial advice and services, employment and training opportunities, and to live in energy efficient and sustainable homes.

I would, once again, like to thank Circle Housing staff across the Group for their hard work and commitment in the last year; and thank, too, my Non-Executive colleagues on our various Boards for the time they have given us and for their wise advice.

**Sir Robin Young**  
Chairman

# Chief Executive's strategic review

## In summary

- Making changes to how we resource and deliver our repairs and maintenance service was one part of a larger three-year change programme.
- This is aimed at developing an operating model that is fit for our future vision and increases the proportion of staff that are focused on customer service.
- We invested £3.3 million into our social activities for our customers last year.
- Our long-term financial plan includes increasing the return on our assets so that over 2,500 affordable homes can be delivered between 2015 and 2018, as we work towards building an average of 1,250 new homes each year.
- Putting in place our vision, strategy and new systems has only been possible thanks to our people and I would like to thank our colleagues and partners for their dedication.





**“We know that repairs is the single most important service that we offer our residents. Implementing our improvement plan has been our highest priority, and this is resulting in an improved level of service.”**

**Operating with a business head and social heart, the core service we provide is the home and this is strengthened by the support services we offer our customers.**

During the year we started making the changes our organisation needs so that we can achieve our 2020 vision – to provide people in need with greater opportunities for independent, affordable and secure living. We recognise that to do this we need to be more efficient and increase our profitability.

Circle Housing has had very rapid growth since we were formed in 2005, quickly reaching the 64,000+ homes that we have today across nine Registered Providers. Due to our structure which allows us to have a strong local focus, each provider managed their repairs and maintenance contracts separately. This had resulted in us having more than 200 different repairs service providers. Clearly this did not offer good value for money, and it would have been unacceptable to continue in this way in light of the current economic climate. We undertook a massive procurement exercise to appoint six new regional contracts. Our aim is offer a better and more consistent service to our customers and to deliver better value for money so that we can invest more back into our homes and communities. This was part of a ten-year vision, and the first sector procurement of this size was far more difficult to implement than we anticipated.

We know that repairs is the single most important service that we offer our residents. Implementing our improvement plan has been our highest priority, and this is resulting in an improved level of service. We have recruited additional resources, sought independent external advice and allocated work to additional contractors. We have terminated our responsive contract with Kier in London and appointed two contractors in the interests of a smooth transition of services to our customers.

From a financial perspective the savings we expect to make will still be substantial, but our core focus is on delivering the service our customers deserve. We will be revising our original savings estimate of £100 million downwards as we need to invest in personnel resource across the organisation and ensure the R&M contractual arrangements we have in place are sustainable.

Making changes to how we resource and deliver our R&M programme was just one part of a larger three-year change programme which we started to implement this year. As demand for affordable homes and care and support services increases further, we are developing an operating model that is fit for our future vision and is more responsive to customer needs. To do this we are introducing best practise processes, streamlining our internal systems and simplifying our management structure. Our move to new offices in King’s Cross, London has reduced

our footprint and forms part of plans to reduce our occupancy costs by 50%. We are also investing heavily in our people to create the leaders for the future and build an agile and flexible workforce. In light of new Government policies, and in particular the announced 1% cut in our rental income, these efficiency savings are even more important for us. While this cut will significantly reduce the Group’s capacity to achieve our objectives, the benefits we realise will be used to make our business financially stronger and more secure, and be invested back into supporting our customers.

Supporting our customers to become financially resilient and independent remains a core part of our activities, especially against the backdrop of further welfare reforms and we hope to continue to be able to invest in these programmes. Last year we invested £3.3 million into social value activities for our customers: financial inclusion, employment and skills and energy and green. We have made improvements to our model for measuring social return on investment (SROI) and brought in external advice to help us. We can now more accurately measure the financial return for every £1 invested and can demonstrate an SROI of 10x for the last year, equating to a £33.6 million SROI. In real terms this translates to more than 15,000 interventions that led to desired outcomes for customers. This offers real value to the communities that we work in and helps ease the pressure on public services.

## Chief Executive's strategic review continued

To help our customers prepare for the introduction of Universal Credit we ran a pilot in Circle Housing Wherry, so that we can shape our service and approach to support customers in the transition. This, and our tailored approach to supporting customers through early welfare reforms, has led to us reducing rent arrears levels to 2.6%. This is good news for customers and good news for us.

We are now taking the learnings from this work across the Group and testing a number of different approaches across our partners. This includes practical advice on how to prepare, and one on one support for those who need it most. We hope to be extending this work to help customers prepare for wider welfare reform, as well as continuing our evidence-based approach to developing policy solutions. As a prudent measure we have made a provision in our long-term financial plan for our rent arrears to increase to 7%. We will do all we can to support customers through the transition and keep arrears as low as possible.

Last year we completed 674 new affordable homes. Our long-term financial plan includes the delivery of over 2,500 affordable homes between 2015 and 2018, as we work towards building an average of 1,250 new homes each year. With greater pressure in the areas in which we work we have an active programme to identify and acquire land where we can build more homes. Our flagship regeneration scheme, Orchard Village, is entering its last phase, which will see the market sale homes built.

In the London Borough of Merton we are carrying out extensive and detailed consultation with residents over the potential regeneration of 1,200 homes across three estates, listening carefully to what it is they want and need. At the heart of the offer is to ensure that the community is held together, and that everyone who wants to stay can and will.

We are working with architects to create tailored schemes for each neighbourhood where different communal indoor and outdoor spaces complement homes designed for modern living and to meet individual needs. This includes the introduction of multi-generational homes where large families with older dependants or young adults have self-contained annexes. We are also looking to 'design out' crime so that residents feel safe in public spaces while each home will have its own private outdoor space – a garden, terrace or balcony.

If regeneration goes ahead, it will deliver new, well-designed, energy efficient homes to meet the needs of residents now and into the future. Regeneration will also provide a range of choices and benefits including more private space for residents, better green spaces, community facilities and job creation – providing a long-term economic boost to the community.

# 2.6%

Rent arrears levels reduced in 2014/15

**“Our long-term financial plan includes the delivery of over 2,500 affordable homes between 2015 and 2018, as we work towards building an average of 1,250 new homes each year.”**

It is critical for us to manage our income streams in order to limit the impact of further welfare reforms, and enable us to continue investing in homes and our social purpose. To do this we are driving the profitability of our diversified, non-social housing businesses.

With new homes nearing completion we have seen an increase in the number sold. We have also sold or transferred a small proportion of homes that sit outside our main operating areas, do not meet housing need, are too expensive for our residents to live in, or for us to refurbish. This trend will continue as we look to the private sector to help fund discounted rental homes.

We have continued to make efficiencies through our telecare, care and support businesses in order to return them to profitability. These businesses enhance our social activities sitting hand-in-hand with our mission to enhance life chances and helping people to live independently for longer. Our aim is to provide commissioners with a range of solutions that meet the growing agenda to fully integrate health and social care. Innovative new products and services are key to giving customers the reassurance they need. We are keen adopters of technologies and during the year we launched a number of new products and services using technology to bring care and support together while making it affordable.

Putting in place our vision, strategy and new systems has only been possible thanks to our people and I would like to thank our colleagues and partners for their dedication. Our investment in and development of an agile, skilled and diverse workforce is something we are very proud of.

Our financial performance has remained strong and we have a clear strategy in place. We have immediate priorities we need to address and continue to put our focus into enhancing the life chances of our customers. I look forward to reporting on our progress in the year ahead.

**Mark Rogers**  
Group Chief Executive Officer

# 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 activities

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. The more surplus we make, the more new affordable homes we are able to build, helping more people in housing need.

### Social value

We forgo a portion of our surplus towards social activities. This is our social investment.



### Leadership

We have a strong leadership equipped to take the organisation through a period of significant internal and external change.

[→ Read more about our leadership on page 4](#)



### 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 look to build 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 16](#)



### 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 66](#)

# Our Group performance

We are transforming the way we operate so that our customers are better served and firmly placed at the heart of everything we do.

→ This work is ongoing and more detail of the changes we have made can be read on page 31

Group revenue for the year increased by 14% to £411.8 million (2013/14: £362.7 million) due to an increase in activities other than social housing lettings. These increased to 21% of turnover (2013/14: 11%). In order to restore our weak responsive repairs contract in London we invested in additional resources. This contributed to an increase in maintenance spend of £6.0 million, a further £3.2 million on our R&M improvement plan and £2.4 million improving our operating model. All of these factors resulted in our operating margins falling to 26% (2013/14: 30%).

## Transforming our operating model

We are transforming the way we operate so that our customers are better served and firmly placed at the heart of everything we do. Our change programme is a crucial investment which will give us an operating model which is fit for our future vision.

An aspect of this is creating a flexible and agile work force that is more responsive to customer needs. We have also continued to create further efficiencies into the business by reducing our office space and delivering more value for money. The savings we are making will allow us to invest more into our customer service, grow our social value and develop more affordable homes.

We seek to continually improve our value for money. As our programme to transform the way we operate takes shape and our R&M service returns customer satisfaction to historically high levels, we can expect to see continued improvement in our value for money measurements.

## Diversified operations

Centra's Care and Support services are key to helping our customers live independently for longer and our wider mission to enhance life chances. Our main focus is to offer better and more services at lower cost. We are working towards Centra Pulse and Prime Care making a positive financial contribution to the Group and have been driving efficiencies through the business. Centra Living delivers financial value to the Group through its private rental sector homes and market sale activities, which is then reinvested into building more affordable homes and furthering our social purpose.

## Delivering social value

Our award-winning methodology to measure the social value we deliver has been refined further and now includes all three elements of our Sustainable Communities programme: financial inclusion, employment & skills and energy & green.

### Group turnover (£m)

10/11	322.8
11/12	332.7
12/13	345.9
13/14	362.7
14/15	411.8

### Group operating surplus (£m)

10/11	89.5
11/12	89.4
12/13	95.1
13/14	110.1
14/15	105.8

# Circle Housing performance

**Last year was an incredibly busy year for Circle Housing. Our many positive achievements for the year were overshadowed by the challenges we experienced with our R&M service in London.**

Housing turnover was £380.7 million (2013/14: £333.5 million). The difficulties we have faced with our London responsive R&M contractor resulted in additional resource costs of £3.2 million across customer service, complaints and repairs teams contributed to an increased maintenance spend of £6.0 million and a £1.0 million loss of income from void properties. This, coupled with £2.4 million on mobilising and delivering our transformation programme, has contributed to an operating surplus of £106.9 million (2013/14: £110.5 million).

**Housing management**  
**Current rent arrears**

The percentage of rent owed by current tenants compared to the annual rent charge

was 2.6% (2013/14: 2.8%). This result reflects the financial resilience of our customers.

We have made a provision for rent arrears to increase to 7% over the next three years, in anticipation of the rollout of Universal Credit. We are basing this figure on a pilot scheme to see how our customers will cope with the changes. Keeping rent arrears as low as possible is very important to the success of our business; however, to reflect this major change to welfare we are increasing our provision for current tenant arrears to £6.0 million over a two-year period.

**Average re-let time**

The average time it takes us to re-let void properties was affected by delays to repairs to prepare homes for new tenants, particularly in Circle Housing Old Ford and Circle Housing South Anglia. To ensure that works are completed on time we have changed contractors where necessary and are bringing them in earlier. This will allow us to advertise

available homes when notice is given and improve our performance.

**Meeting the Decent Homes Standard**

All of our social housing complied with the Decent Homes Standard apart from 6,314 homes in Circle Housing Merton Priory which has dispensation until December 2015 to meet the required standard, due to the scale of work required following the stock transfer from Merton Council.

**House Exchange**

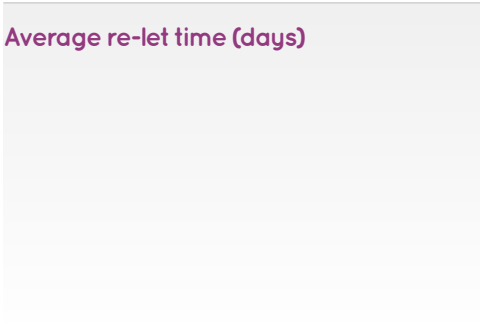
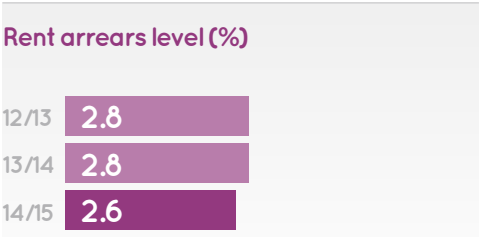
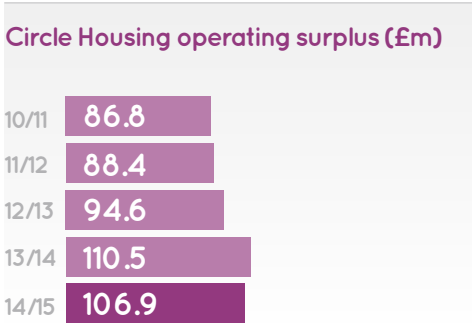
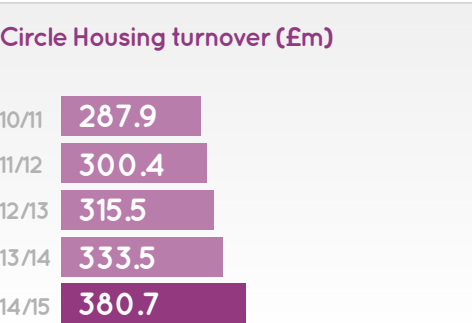
Our not-for-profit home-swap website [www.houseexchange.org.uk](http://www.houseexchange.org.uk) is now in its tenth year and is available to all social housing and local authority tenants, not just Circle Housing customers. Over the year we added 12 new landlords to the service totalling 173,000 extra homes. We now have 220 landlords registered, offering the service to 1.4 million tenants for free, representing approximately 36% of the market. This led to us increasing registrants on the website by 70,000 to 300,000. We had a record year facilitating 24,000 moves to

provide customers with homes that better met their needs and circumstances.

**Energy efficiency**

Our programme to improve the energy efficiency Standard Assessment Procedure (SAP) rating of our homes continues. Our current average SAP rating is 69, compared with an average of 65 for social houses in England. We have a rolling programme of works for our properties which incorporate energy efficiency measures, focusing on properties that are most expensive to heat.

One project we have focused on is the £3.5 million transformation of Clare House in Tower Hamlets. This 21 storey block has long suffered from poor insulation and high energy bills. In response to customers we have started works to replace heating systems, install external solid wall insulation, change communal lighting and replace communal windows, helping customers to reduce their energy bills.



# Circle Housing performance continued

→ Read about how our Regeneration Officer interacts with residents of the High Path Estate over the possibility of regeneration on page 10

## Asset management

We formally review our assets on an ongoing basis to make sure we optimise their value and that they are efficient for us and our customers to run. We also consider transferring assets that are located outside our main operating areas to other housing associations in order to reinvest the proceeds into new affordable homes located in our core areas. During the year 72 homes were transferred to other landlords outside our main geographical areas in Essex, Rickmansworth and Tonbridge, and seven homes were sold on a void basis in the open market as they were underperforming stock, generating a total value of £8.5 million. Additionally, 95 tenants took advantage of their right to buy and 176 shared owners increased the equity in their property.

## Development

During the year we completed the development of 674 much needed homes. Of these, 548 were delivered under the Affordable Homes Programme (AHP) 2011 – 15, contributing to our completion of 1,357 homes in this programme.

We have secured £17.3 million to deliver 821 new homes under the AHP 2015 – 18. Further bids will be submitted through continuous market engagement as delivery of additional homes becomes certain. We have also secured funding of £1.9 million under the Mayor's Housing Covenant to deliver 112 new homes in London by 2016.

Our long-term financial plan includes the delivery of over 2,500 affordable homes between 2015 and 2018, as we work towards building an average of 1,250 new homes each year from 2018.

The year saw the completion of the Group's first Passivhaus scheme, comprising of 51 affordable homes. Passivhaus is a new concept in the UK. It takes a fabric first approach to construction providing excellent thermal performance and exceptional airtightness to reduce the heating demand, with the potential to reduce our customers' heating costs by up to 75%.

Working collaboratively with architects, Levitt Bernstein, and a self-build community group, Naked House, we won the top prize in the annual Self Build on a Shoestring competition. Challenged to come up with innovative ways of building low-cost and easy to construct self-build homes in an urban setting, we came up with the winning solution, demonstrating that the custom build model is an affordable and flexible housing option. We are keen to deliver this model for real.

As funding for affordable homes continues to fall we need to develop a greater proportion of homes for shared ownership, private rent and private sale to generate alternative sources of income to support the delivery of affordable homes. In 2014/15, we completed 92 homes for private sale and 160 first tranche shared ownership sales.

## Land acquisition

To help meet our development targets we created a £40.0 million fund to acquire land for future development. By year end we had acquired two sites for delivery of 113 new homes, in Harlow and Tonbridge. Planning applications for both sites have been submitted. In addition, we agreed heads of terms for the acquisition of land at Castle Hill, Ebbsfleet, for the delivery of 375 affordable homes.

## Regeneration

Orchard Village, our £80.0 million regeneration scheme in Rainham, London Borough of Havering, is now nearing completion. We have provided 516 new high-quality and energy efficient homes to local people offering social rent, sheltered and supported accommodation and some homes for private sale or rent. Feedback from customers has been extremely positive with over 225 applications received for every rental home.

We are carrying out extensive and detailed consultation with residents over the potential regeneration of three estates in the London Borough of Merton, listening carefully to what it is they want and need. We are working with architects to create tailored schemes for each neighbourhood where different communal indoor and outdoor spaces complement homes designed for modern living and to meet individual needs. This includes the introduction of multi-generational homes where large families with older dependants or young adults have self-contained annexes. We are also looking to 'design out' crime so that residents feel safe in public spaces while each home will have its own private outdoor space – a garden, terrace or balcony.

The current layout of one of the neighbourhoods, High Path, means there is a large amount of unused or unusable outside space. If regeneration goes ahead, the proposed new designs could double the number of homes without compromising on living space for each home, while introducing a new neighbourhood park.



# Repairs and maintenance

**Repairs and maintenance (R&M) is the single most important service that we offer our residents. We are aware that our performance in some London areas has fallen short of our own and our customers' expectations, for which we have apologised. Providing a consistent and reliable R&M service is our biggest priority, along with restoring customer satisfaction to previously high levels.**

As anticipated and expected with change of this scale and complexity, we experienced a number of challenges after the six new R&M contracts were initially implemented during 2013/14. We took extensive action to mitigate these, putting in place improvement plans and working in partnership with our contractors. This resulted in service levels picking up across the Group, apart from in parts of London, where we continued to

experience challenges with our responsive repairs in Circle Housing Old Ford and Circle Housing Circle 33.

Ahead of the Homes and Communities Agency (HCA) reviewing the Group's Governance rating in relation to the management of its responsive R&M service in London, we took the following actions to improve our service:

- **Strengthened senior oversight and scrutiny** – we set up additional committees, consisting of both Management Board and Executive Team members, to oversee and drive specific strands of our improvement plan.
- **Recruited additional resources** – we strengthened our R&M Team which is closely managing contractors and increasing capacity. We have also sought independent external advice.

- **Increased capacity** – we have brought in additional resources to support our main contractor to increase capacity and carry out repair works as quickly as possible.
- **Improved reporting** – we have been carrying out daily validation calls to customers to check that jobs have been completed. Improved systems and processes have been implemented.

As part of our three-year transformation programme we have also appointed a Programme Director of R&M, who is responsible for managing and overseeing R&M across the Group, and restructured the R&M leadership team to deliver an improved service for customers.

Due to the importance of this, we are also introducing a new Executive role dedicated solely to property services and another focused on customer service. A new Executive

Director of Property will have responsibility for R&M, ensuring that we deliver a high-quality service to our customers, and the Executive Director of Customer Services will lead our Housing and Customer Service Teams.

- **Two new contractors to deliver responsive repairs** – since announcing the end of our responsive R&M contract with Kier, we appointed Mitie and Wates Living Space to provide services in London and the West Midlands.

We are determined to get this right for our customers, and are investing in doing so. However, while customer satisfaction is our priority, we are still projecting substantial savings over the next ten years.





# Centra Care and Support performance

**Centra, which incorporates our diversified activities, is now one year into its new brand. We offer a wide range of services and support to our customers through telecare and care and support as well as property management and agency sales.**

Overall the Centra Care and Support and Pulse and Connect businesses delivered a £1.1 million loss (2013/14: £0.4 million loss) on a turnover of £31.1 million. Centra Care and Support delivered a £0.9 million loss, Centra Pulse and Connect delivered a break-even positive and Prime Care delivered a £0.2 million loss. The overall loss resulted predominately from later than expected delivery of efficiency savings from the Care and Support restructure.

We are focused on returning the business to profitability so that we can contribute to the Group surplus. We remain on track to do this during 2015/16. To help us achieve this we are:

- continuing to drive efficiencies to allow us to compete more effectively
- growing in areas where we already work so that we can benefit from the efficiencies that scale brings
- developing more services for a growing number of Centra customers
- harnessing technology to offer services at lower cost

- decommissioning unprofitable contracts, which we started to do in the autumn of 2014, but we will feel the full financial rewards of this over the next year.

### **New contracts**

Over the year we successfully novated 19 support contracts from Amicus Horizon, funded by Kent County Council. This brought in £3.2 million of new revenue and 350 customers.

We also cemented our relationships with The Guinness Housing Partnership and Paradigm Housing and created new partnerships with NHS Healthcare, Buckinghamshire Care and the Aster Group.

### **Focus on integrated care**

We have been getting the business ready for the new commissioning framework being introduced by the Better Care Fund and are preparing ourselves for the challenges and opportunities that this will bring. Our continued commitment towards offering an integrated service and improving services is central to this.

We have enhanced the availability of our dedicated account and contact managers so that they can spend time working alongside customers and to ensure our services support their needs. Our quality and compliance structures have been improved further and we have introduced a new training academy to ensure a consistent and ongoing service across the business.

In order to integrate our services we can now seamlessly match our Care Quality Commission approved care services with our Telecare Services Association approved telecare services and assistive technology solutions. By working with key partners and technology providers alike we can deliver comprehensive telecare and telehealth solutions, including falls prevention, solutions to cut down hospital stays and services to manage the growing number of people with long-term conditions.

### **New products and services**

To improve our services further, help drive down the cost of delivery of services and improve our financial performance we are continually developing new solutions and taking advantage of the latest technology.

This year saw the launch of our mobile telecare solution, Vega, which enables our customers to take our 24/7 monitoring service out of the home. Vega is ideal for those living with long-term conditions such as dementia as well as those living with mental health challenges. It offers a sophisticated range of features, such as geo-fencing and time alerts.

We recently bolstered our out-of-home support by delivering our second monitoring device – the Limmex Emergency Watch. The discreet device, which looks like an ordinary watch, is suitable for more active customers who require support to continue living independently such as younger people living with epilepsy or diabetes, or those with learning disabilities.

Both devices offer customers reassurance and 24/7 contact with our dedicated telecare team through integrated two-way speakerphones.

We launched our new automated check and reminder system – Protect and Check. The service helps vulnerable people remember to do a variety of self-care tasks, including taking medication or attending hospital appointments.

Earlier in the year we introduced an additional layer of support to lone workers by offering a range of easy-to-use GPS enabled devices. The service offers a number of features such as one-touch SOS emergency buttons, adjustable in and out safety zones and covert dial-in functions. We can offer varying levels of functionality to suit different needs and budgets and our devices offer a greater level of coverage than systems relying on employees using mobile phones. Those who have trialled the devices have reported an enhanced feeling of security.

# Centra Living performance

**Centra Living brings together our commercial business: private rental sector homes in the UK and Europe, and properties developed for market sale. The surplus that we make from these activities is used to build more affordable homes.**

### Private sale homes

In line with our planned completions of new homes being available for sale, we sold 88 newly developed properties on the open market generating proceeds of £27.2 million and surplus of £5.2 million, a 19.1% return.

A limited collection of 25 three bedroom properties was developed in Village Grove over the past year, as part of the Orchard Village regeneration project. The homes were available via market sale and shared ownership, and Centra Living also offered to pay stamp duty in some cases to make the homes even more affordable. All homes were finished to a high spec and included en suite bedrooms, private gardens, parking and, in some cases, roof terraces.

We are currently in phase one of a new development in Banbury Park, Waltham Forest. We are building a mixed use development of 350 private and affordable homes with landscaped spaces, shops, offices, a community centre and public square.

### Private rental sector homes

We own and manage 808 homes that are rented at market rents and a small number of commercial properties. Turnover from these services was £8.6 million, delivering an operating surplus of £5.9 million. We also provide management services to over 13,000 leaseholders and shared ownership properties.

Our German property fund, Landericus, owns and manages 1,023 private rented properties in Germany across Aachen, Berlin, Bonn, Bremen, Delmenhorst, Dortmund, Düsseldorf, Essen, Frankfurt, Halle, Hannover, Paderborn and Sehnde. Turnover was EUR 5.0 million with an operating surplus of EUR 3.0 million.



Images of Village Grove homes, part of the Orchard Village regeneration

# Social value

## Delivering social value is central to our culture and our business model.

We recognise that by improving the life chances of our existing customers we are able to protect and grow our business income and reach more people in housing need.

This year we invested £3.3 million into our social value programmes.



### Value for money

Investing in social value programmes helps manage the risks to the stability of our income.

→ Read more about how we deliver value for money from page 46



1

## Financial inclusion (FI)

**WE DELIVERED 5,981  
FI INTERVENTIONS**

Ongoing welfare benefit reforms and the cost of living crisis are having a real impact on the way our customers manage their money and make ends meet. FI services help residents manage their finances, deal with their debts and put money back in their pockets.

A highlight during 2014/15 was to team up with Leeds City Credit Union to launch Circle Housing Money. The partnership was set up specifically for our customers and employees, giving them access to a consistent and comprehensive package of affordable financial services, including savings, affordable loans and alternative banking products, no matter where they live. Since the launch there has been a very positive uptake by colleagues, with 537 sign-ups by the end of March 2015 (22% of the Group) and approximately £75,000 invested as a result, delivering over and above our target of 180 colleagues signed up by January 2015. There are also over 200 customers signed up, exceeding our target of an initial 100 customer sign-ups. Our target for March 2016 is to have over 2,000 members.

We also relaunched the 'Money Matters' service to provide support to customers through online, phone and face to face meetings. Delivering via different channels helps to increase the scale of support we can offer and meet different customer needs.

2

## Employment and skills (E&S)

**WE DELIVERED 5,441  
E&S INTERVENTIONS**

Our E & S programme is all about helping our customers get into long-term sustainable work. We recognise that supporting people in this way helps individuals and their families, increases confidence, generates wellbeing and creates a sense of belonging. It also puts customers in a better position to manage their money, become more financially independent and pay their rent and other bills. Our programme provides support every step of the way, including advice and guidance sessions, training, work experience, job and apprenticeship opportunities and ongoing support once in work.

In 2014 we were externally recognised for our work in the area with the Business in the Community Big Tick and Employers Network for Equality & Inclusion Community Impact Award.

More customers than ever now have the opportunity to access apprenticeships or job opportunities with us, our suppliers or partners. Through our core business we have strong links with the construction industry and extensive knowledge and experience of creating apprenticeships.

3

## Energy and green (E&G)

**WE HELPED 3,642 CUSTOMERS SAVE  
MONEY ON THEIR ENERGY BILLS**

We have a goal to reach 6,000 households each year with energy saving initiatives. We also have targets to reduce Group energy costs so that we can invest more into our social activities.

We appointed three regional Energy Advisors who provide customers with energy saving advice. Between January and March 2015 they saved customers around £65,000 on their energy bills.

Our Resident Energy Champions remain very active and continue to share top tips that could save £250 per household per year. To establish lifetime habits we launched a 'Do 1 Thing' campaign. This initiative harnesses the power of young residents to change how they think about energy and encourages adults to reduce the amount of energy they consume.

2014/15 saw a change in how we procure Group energy contracts. The new set-up allows us to purchase energy in advance and minimises our exposure to market price volatility. Overall costs for energy bills managed under Group contracts reduced by £180,000. A further £609,000 savings were achieved through moving meters onto Group contracts. The benefits of these are passed on to our customers through their service charges, where they are charged on energy use from the communal meters.

**“We have been awarded Level 1 Social Value Quality Mark for our financial inclusion and employment and skills programmes in 2015. This is the only recognised quality standard for social value accounting in the UK. We are now working towards securing Level 3 for all social value activity across the Group over the next 12 months.”**

£

### Value for money

The total savings as a result of helping 3,642 customers save money on their energy bills and better management of our Group energy contracts amounted to £1.5 million.

➔ **For more information on Do 1 Thing visit [do1thing.org.uk](http://do1thing.org.uk)**

# Social return on investment

## Every year we put aside a portion of our surplus towards social activities. This is our social investment.

The more surplus we make the more we are able to invest in our social programmes.



### Value for money

It's our goal to double our SROI by 2018. Therefore, for every £1 invested there would be a returned social value of £20.

→ [Read more about how we deliver value for money from page 46](#)

We look to increase our social investment year on year and it's our aspiration to increase social value created by a multiple of 5 in order to enhance the life chances of our customers, by offering services that promote financial resilience and independence.

Last year we invested £3.3 million in social activities. 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 and green.

Organisations such as Circle Housing have to show the value of their services in terms of the benefits they bring to communities and savings they make for the taxpayer. In doing so, we strengthen our position in securing public service contracts. It also assists us in allocating our social investment where it can be most effective.

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 investment budget for the following year.

### Improving the way we measure SROI

This year, we were very pleased to achieve the Level 1 Social Value Quality Mark for our Sustainable Communities programme from the only UK recognised Quality Standard for social value accounting. We attained the quality mark because of the improvements we have made to measure our performance in our FI and E&S work:

- Our model now more accurately measures the outcomes achieved for customers who have been supported.
- Our performance framework takes into consideration how our services are delivered, either directly by Circle Housing or through partner organisations.
- We can now track the journey of each customer supported and measure the impact achieved.
- We can analyse alternative journeys, including attrition rates, which enables us to target programmes based on best interventions and makes services more effective.

Under our revised model we can show that an SROI of £10 was achieved for every £1 invested in 2014/15. It is important to note that this is not indicative of a reduced performance in the previous year which showed an SROI of £12 for every £1 invested, but rather how our performance has been reported. We are reporting where we can see immediate impacts, rather than prospective impact.

### How our SROI investment will evolve

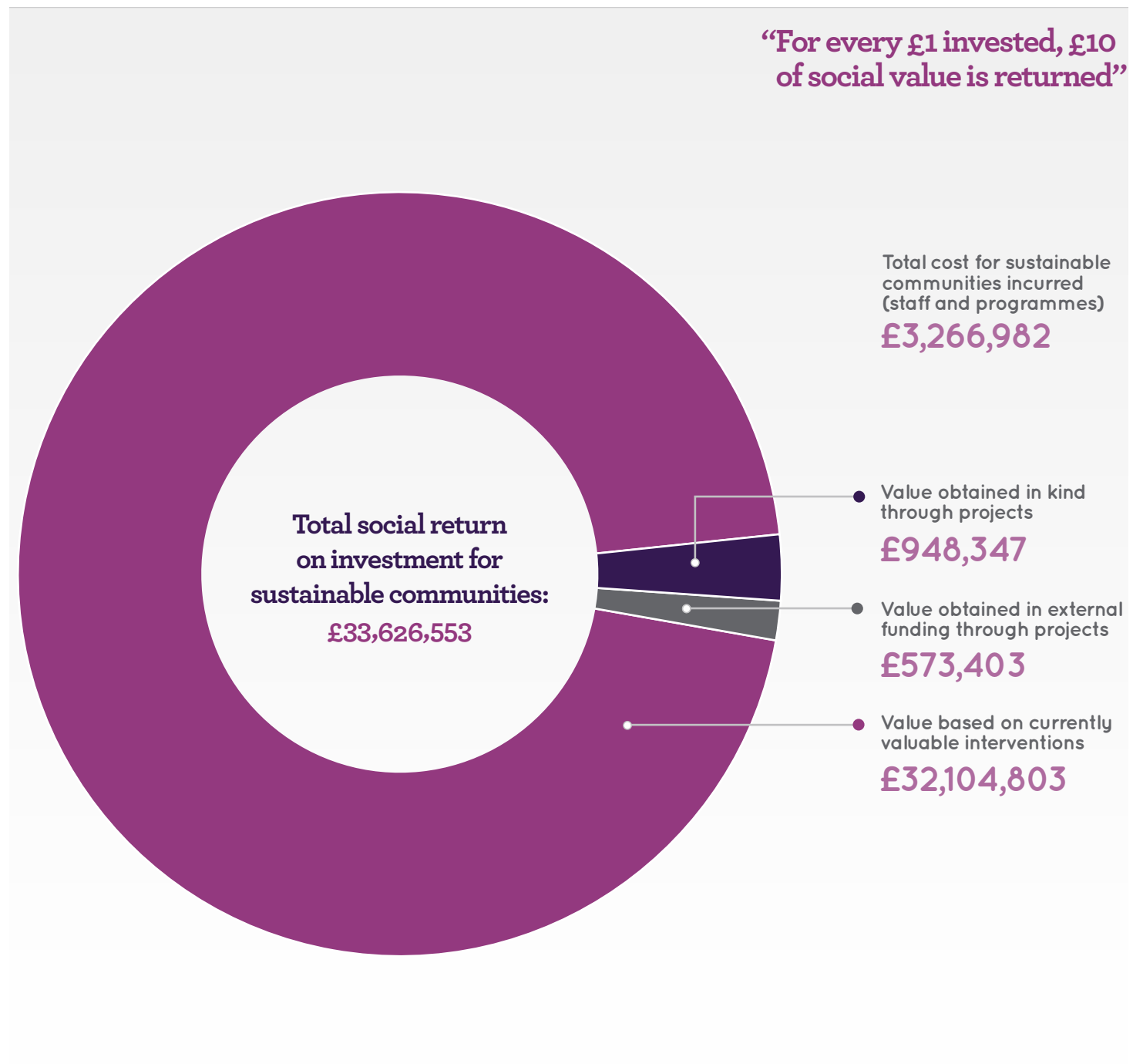
The value of our investment against SROI cannot be underestimated and clearly shows our ability to evidence our investment. Our goal is to double our SROI by 2018 through increased and focused investment, and improved systems for recording and reporting outcomes.

In addition to FI and E&S, we have now also started to measure our work around energy efficiency and savings, as well as the overall impact on the communities we serve. We have recently started our journey to develop accredited ways to measure the outcomes of our work in care and support, anti-social behaviour and eviction support.

We will identify success measures that demonstrate our direction of travel in enhancing the life chances of our customers. These will include:

- **Financial inclusion** – the number of customers that have access to advice, guidance and Credit Union products, and the associated reduction in rent arrears.
- **Energy and green** – reduction of energy costs for customers and the Group and increasing our use of innovative technologies.
- **Employment and skills** – the number of customers in direct employment, on graduate schemes or in apprenticeships. The number of customers with access to advice and skills, with a view to monitoring the improvement in rent payments.
- **Communities** – the number of customers that have the opportunity for social inclusion, including digital online support. We will encourage home-grown business start-ups and provide targeted investment to improve communities.

➔ Through our core offers in employment and skills and ability to show SROI, we have been awarded the Business in the Community Big Tick for Work Inclusion for the last two years running. [www.raceforopportunity.bitc.org.uk/RfOawards2014](http://www.raceforopportunity.bitc.org.uk/RfOawards2014)



# Enabling financial resilience

**“I start by reviewing a customer’s income, look at ways that it can be maximised and give advice on making their money go further. Simple things like how to save energy and switching utility tariffs really does reduce expenditure.”**



## Olena Batista



### **i New Horizons Officer, Making Money Count**

Olena is a Circle Housing employee working for the Making Money Count programme which offers everyday help with money to people living in the Fenland area of Cambridgeshire. The initiative is delivered through our partnership with CHS Group, Rural Cambs Citizens Advice Bureau and Fenland District Council and is funded by the Big Lottery Fund as part of its Improving Financial Confidence programme.

Olena listens to customers and provides independent, free and confidential support to help new tenants feel more in control of their money and better manage their tenancy.

“My work is really front line and begins as soon as a new tenant moves into a home. This year I have visited over 370 tenants. Meeting with a customer when they first arrive can make a huge difference to their lives. The first three months are often very expensive and can be quite daunting. Not only are there moving costs, but for some customers it is their first home. Managing rent and bills can be challenging when you set up a home, especially when you have big costs like needing to buy furniture and essential appliances.

“At the moment I apply on behalf of one in four new customers to the local financial assistance schemes as they really do need additional support. These funds are shrinking every year

and it is becoming harder for people to get the help they need. Our residents are worried about how they are going to adjust to the rollout of Universal Credit. For some new tenants it is going to be particularly hard because they won’t receive their money until a few weeks after they move in. Credit Unions like Circle Housing Money and setting up home loans are going to become even more important for customers to manage their finances.”

### **9am – Customer meeting**

My day will often start with meeting a new customer to go through their finances. I can provide advice to help their tenancy be as successful as possible.

### **10am – Giving advice and support**

I make sure customers are receiving the support they need and the benefits they are entitled to, to help to maximise their income. As part of that advice I refer customers who are interested in finding work to our partner, CHS, for employment support and guidance.

### **11am – Community outreach**

Every week I run a ‘drop in’ at our Wisbech office or get out on our New Horizons bus to make our service inclusive and offer assistance to anyone who may need it. I speak Russian and Polish which helps some of those who speak English as an additional language.

### **2pm – In the office**

I check through the list of new tenants and arrange to meet with them within the first



Visiting a new customer at their home to go through their finances





two weeks of moving in. I can also provide ongoing assistance and refer customers to specialist support if they need it, such as our 'Get online' tutors who help tenants get the equipment and internet connection they need to explore the benefits of being online.

#### 4pm - Team meeting

I talk through current customers with my team and we identify ways that we can keep improving our services so that they meet their individual needs. I also share my experiences and good news stories on our Facebook and Twitter pages, as well as our website.



→  
Inside the New Horizons bus explaining how people can make their money go further

Getting out into the community on the New Horizons bus



←  
Tenants receiving laptop training so they can access cheaper products and services online

# Finance review

In 2014/15 we maintained a stable surplus of £45.5 million (2014: £44.5 million) and a positive EBITDA MRI % of 113% whilst increasing investment in repairs, maintenance and improvement of our properties to £129.6 million (2014: £96.9 million).

## Summary Group income and expenditure account

£m	2015	2014	2013	2012	2011
Turnover	<b>411.8</b>	362.7	345.9	332.7	322.8
Cost of sales	<b>(38.3)</b>	(6.7)	(9.2)	(18.6)	(22.5)
Operating costs	<b>(267.7)</b>	(245.9)	(241.6)	(224.7)	(210.8)
Operating surplus	<b>105.8</b>	110.1	95.1	89.4	89.5
Operating margin	<b>26%</b>	30%	27%	27%	28%
Surplus on sale of fixed assets	<b>13.7</b>	14.6	9.5	3.3	4.9
Net interest and other financial income	<b>(76.8)</b>	(79.6)	(78.8)	(71.1)	(70.5)
Other	<b>2.8</b>	(0.6)	(0.9)	(0.2)	4.2
Surplus	<b>45.5</b>	44.5	24.9	21.4	28.1

The growing rent roll, a moderate decrease in surplus on the sale of fixed assets to £13.7 million (2014: £14.6 million) and £8.1 million profit from first tranche shared ownership and market sales (2014: £2.3 million) have been offset against an increased investment in repairs and maintenance of £62.8 million (2014: £56.8 million) and investing £5.6 million additional resources into the recovery of our repairs service and improving our future operating model. As a result, operating margins have fallen to 26% overall (2014: 30%) and to 28% on housing activity (2014: 33%).

## Housing activity – key indicators

£m	2015	2014	2013	2012	2011
Turnover	<b>380.7</b>	333.5	315.5	300.4	287.9
Operating surplus	<b>106.9</b>	110.5	94.6	88.4	86.8
Operating margin	<b>28%</b>	33%	30%	29%	30%
Surplus	<b>46.6</b>	44.7	24.5	21.0	25.6

	2015				2014	
	Units	Proceeds	Cost of sales	Surplus/(Deficit)	Units	Surplus/(Deficit)
First tranche shared ownership	<b>160</b>	<b>£14.6m</b>	<b>£11.7m</b>	<b>£2.9m</b>	64	£1.2m
Rented	<b>206</b>	<b>£15.8m</b>	<b>£9.6m</b>	<b>£6.2m</b>	121	£5.7m
Staircasing	<b>176</b>	<b>£18.2m</b>	<b>£10.9m</b>	<b>£7.3m</b>	140	£6.0m
Developed for sale	<b>88</b>	<b>£27.2m</b>	<b>£22.0m</b>	<b>£5.2m</b>	13	£1.1m

## Centra

Excluding Gift Aid, revenues from Centra, our care and support business, increased 7% to £31.1million (2014: £29.2 million). This includes a full year's contribution of £5.6 million (2014: £3.9million) from Prime Care, the home care provider acquired last year.

### Centra – key indicators

£m	2015	2014	2013	2012	2011
Turnover	<b>£31.1</b>	£29.2	£30.4	£32.3	£34.9
Operating (deficit)/surplus	<b>(£1.1)</b>	(£0.4)	£0.5	£1.0	£2.7

### Group debt

Group interest payable and similar charges reduced from £87.0 million to £80.8 million largely driven by reduced interest payable on derivatives. Interest cover improved during the year from 195% to 207%. Interest receivable and other related income decreased from £8.1 million to £3.7 million, due to smaller cash and money market deposits than in the previous year.

Group debt was £1,995.5 million at year end (2014: £1,799.9 million), and gearing increased from 50% to 51%.

→ For a more detailed discussion of our debt see page 42

### Group debt – key indicators

	2015	2014	2013	2012	2011
Interest cover	<b>207%</b>	195%	181%	181%	170%
Operating cash flow to interest	<b>2.31:1</b>	1.87:1	1.27:1	2.09:1	1.22:1
Gearing	<b>51%</b>	50%	51%	52%	50%
Available bank funding (£m)	<b>370</b>	520	544	580	467
Free security (£m)	<b>521</b>	414	405	336	374
Excess security (£m)	<b>677</b>	585	530	200	399
Gross debt (£m)	<b>1,995.5</b>	1,799.9	1,766.9	1,735.1	1,652.1
Cash and short-term investments (£m)	<b>176.8</b>	28.0	13.6	33.0	6.9
Net debt (£m)	<b>1,818.7</b>	1,771.9	1,753.3	1,702.1	1,645.2

### Cash flows

Net cash inflow from operating activities for the year was £183.1 million (2014: £162.9 million). This was due to the net movement in stock, offset by investment in a joint venture.

Net capital expenditure increased to £141.7 million (2014: £94.1 million) as a result of an increase in the development and acquisition of new homes as the delivery of the Affordable Homes Programme 2011 – 15 will provide more of the 1,425 committed homes.

Overall, net cash outflow before financing was £48.8 million (2014: £23.5 million), and cash and deposits increased by £13.8 million (2014: decreased by £1.5 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 31 March 2015, the Group owned 71,873 properties (2014: 71,787). Of these, 51,307 are classified as social and affordable rent which generated income of £304.9 million at an average weekly rent of £114.

As at 31 March 2015 the total value of our properties was £3,290.1 million (2013/14: £3,185.5 million) as independently valued by Savills (UK) Limited. This compares with a net book value of £2,269.2 million, carried in our balance sheet.

£m	Net book value	EUV-SH
Rented housing	1,999.1	2,768.7
Shared ownership	270.1	298.1
Other	–	225.3
	<b>2,269.2</b>	<b>3,290.1</b>

During the year we invested £121.1 million (2014: £97.4 million), excluding grant support, in the development of new homes and looking forward, the number of new home starts in 2015/16 will remain high as we continue with delivery of the current Affordable Homes Programme, and increase our development ambitions, working towards delivering 1,250 new homes per year.

	2014/15	2013/14
Investment in new homes	<b>£121.1m</b>	£97.4m
New home starts	<b>220</b>	1,303
New home completions	<b>674</b>	381

At the end of the financial year we had committed funds of £166.0 million to new developments compared with £188.0 million in the previous year, reflecting our plans for delivery of the Affordable Homes Programme by 31 March 2018.

### Investments

Our £16.0 million (2014: £18.2 million) investment in Landericus, a German residential property fund, delivered a profit before tax of €6.0 million (2014: €2.1 million).

### Capital and reserves

Group capital and reserves at year end were £475.6 million (2014: £441.5 million).

# Our treasury management

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

We have a detailed 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 member of the Funding Group\* 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 pertaining to 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 is 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.

\* Funding Group = all nine Charitable Registered Providers that are subsidiaries of Circle Anglia Limited.

### Managing debt

All Group debt is managed centrally. As at 31 March 2015, 98% (2014: 97%) of the Group's external funding was on-lent through Circle Anglia Treasury Limited, with these facilities guaranteed by the members of the Funding Group as well as secured on their property assets through the use of a Security Trustee, (Prudential Trustee Company Limited). Circle Anglia Treasury Limited 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 Funding Group members and the Euro denominated debt in the Landericus group of companies of £45 million or 2% (2014: £36 million or 2%) of the Group debt.

Historically, long-term bank loans have been the largest source of funding to the sector and we are no different in this respect with 66% (2014: 64%) 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 (2014: £635 million) of bonds in the capital markets. Our liquidity levels are strong with available facilities of £2,294 million (2014: £2,308 million) and cash and liquid financial assets of £135 million (2014: £71 million) as at year end, ensuring 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 £50 million of our 2018 bonds that we had been carrying for resale on the secondary markets. These disposals generated cash proceeds of £60 million and a profit of £10 million. This profit is amortised over the life of the bonds.

The average life of our fixed debt is 17 years (2014: 20 years) and we continue to have very low refinancing risk with only £7 million of facilities repayable in 2015/16 and only £113 million of facilities maturing in the next five years. The first significant refinancing need is in 2038/39 when our first bond matures.

### Liquid resources

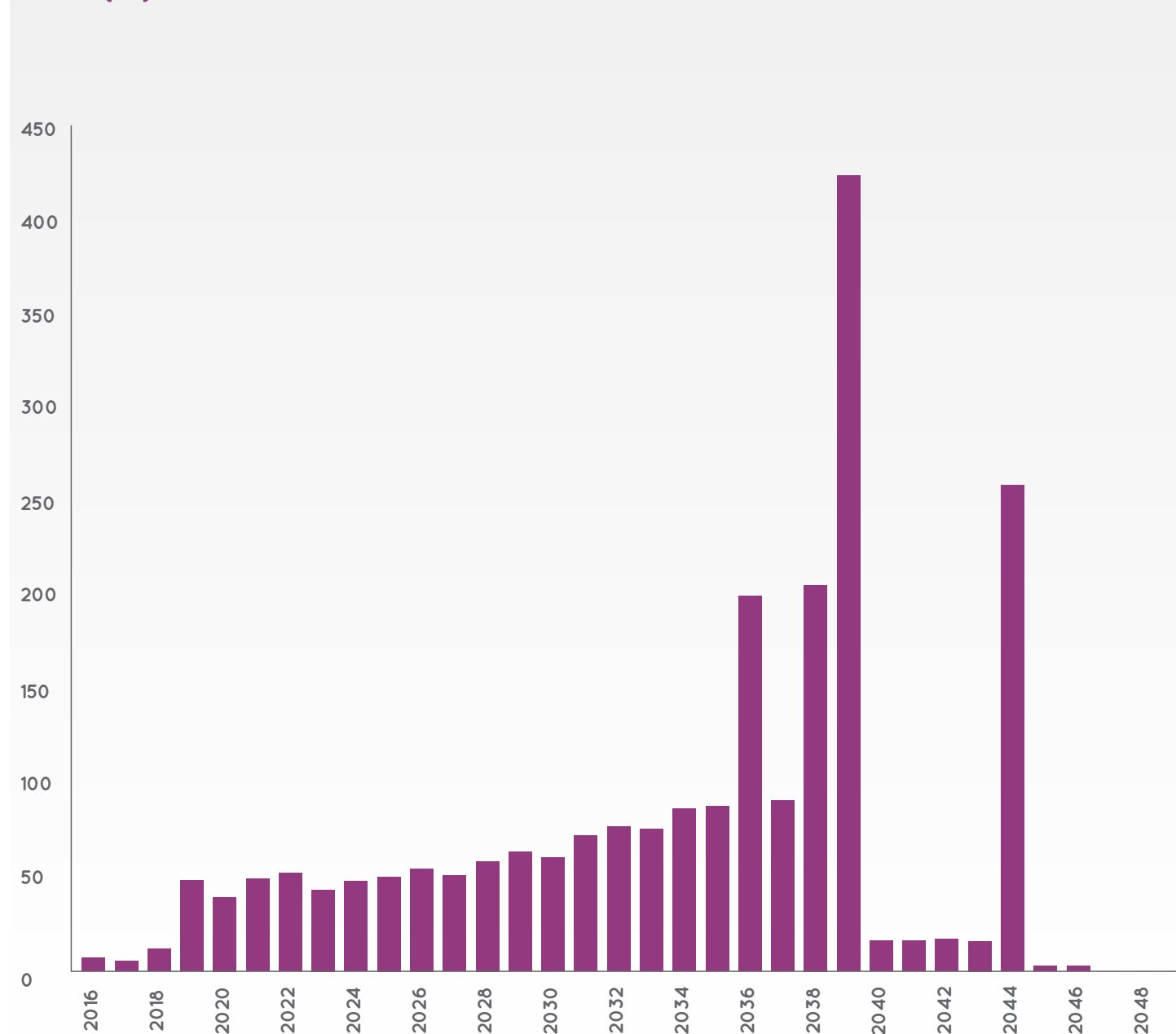
Cash was £24 million at year end (2014: £10 million). Short-term investments were £135 million at year end (2014: £21 million) and nil (2014: £50 million) relating to the 2018 bond held for resale. This relates to the cash held within money market funds and bank deposits and has increased during the 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 interest profile is fixed, 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 2015 was 4.61% (2014: 4.75%).

### Circle Housing debt facility maturity profile (£m)

● Amount (£m)



## Our treasury management continued

As at 31 March 2015, the Group had interest rate derivative contracts (interest rate swaps and caps) of £980 million (2014: £752 million), with a mark-to-market valuation of £(251) million (2014: £(112) million). All but one of these contracts are subject to International Swaps and Derivatives Association (ISDA) agreements between Circle Anglia Treasury Limited and the bank counterparties, with the exception being a contract held by Landericus Delta S.a.r.l.

### Security

All our loans and all derivative contracts are secured using property as collateral. As at 31 March 2015, we had over £1,198 million (2014: £900 million) in available property security. The Group operates a series of risk buffers for its collateral requirements with facilities having a minimum of 3% excess security to cover operational purposes, a £136 million risk pot against a negative 1% movement in interest rates and a further £98 million risk pot to protect against a negative 10% fall in market value property valuations. This still leaves the Group with £963 million of security available to secure new facilities or to cover market shocks.

Under the ISDA agreements the Group is required to provide collateral to secure out of the money positions in excess of an aggregate threshold of £34 million (2014: £32 million). The current collateral calls amount to £221 million (2014: £82 million) and are secured using property security of £212 million (2014: £200 million) and cash of £16 million (2014: £nil) from the Funding Group, by way of the Security Trustee.

The collateralised positions have increased by £139 million from 2014 predominately due to the movement in interest rates during the year. As at year end the Group had a total of £1,198 million available and unused collateral. The Group actively monitors its exposures to collateral calls on a weekly basis. This includes a range of interest rate stress tests.

The Group's Treasury Policy states that where the negative 1% stress test shows that the existing collateral is insufficient, the Group will either arrange new property collateral to cover the full potential exposure or ensure it has sufficient liquidity to cover 50% of the exposure. As at 31 March 2015, the impact of a 1% shift in both short and long-term interest rates would have increased the collateral calls by £136 million, of which £8 million is covered by existing property collateral with £61 million of the Group's current liquidity being allocated towards this risk. This is deemed to present the Group with better value for money than charging additional properties as collateral.

Currently the Group is not required to report on financial instruments under FRS25 or FRS26, but will commence 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 preinterest 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 historical debt held within the Funding Group predominantly contains net rental or income tests, which are also monitored on a monthly basis.

In addition, we continue to scenario test and stress test our financial position and forecasts, including multiple-event 'perfect storm' conditions to ensure 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 2015, our one and three-year interest cover stood at 218% and 198% respectively (2014: 188% and 186%), 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 a historical cost basis. Gearing was 51% (2014: 50%) 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 historical 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.

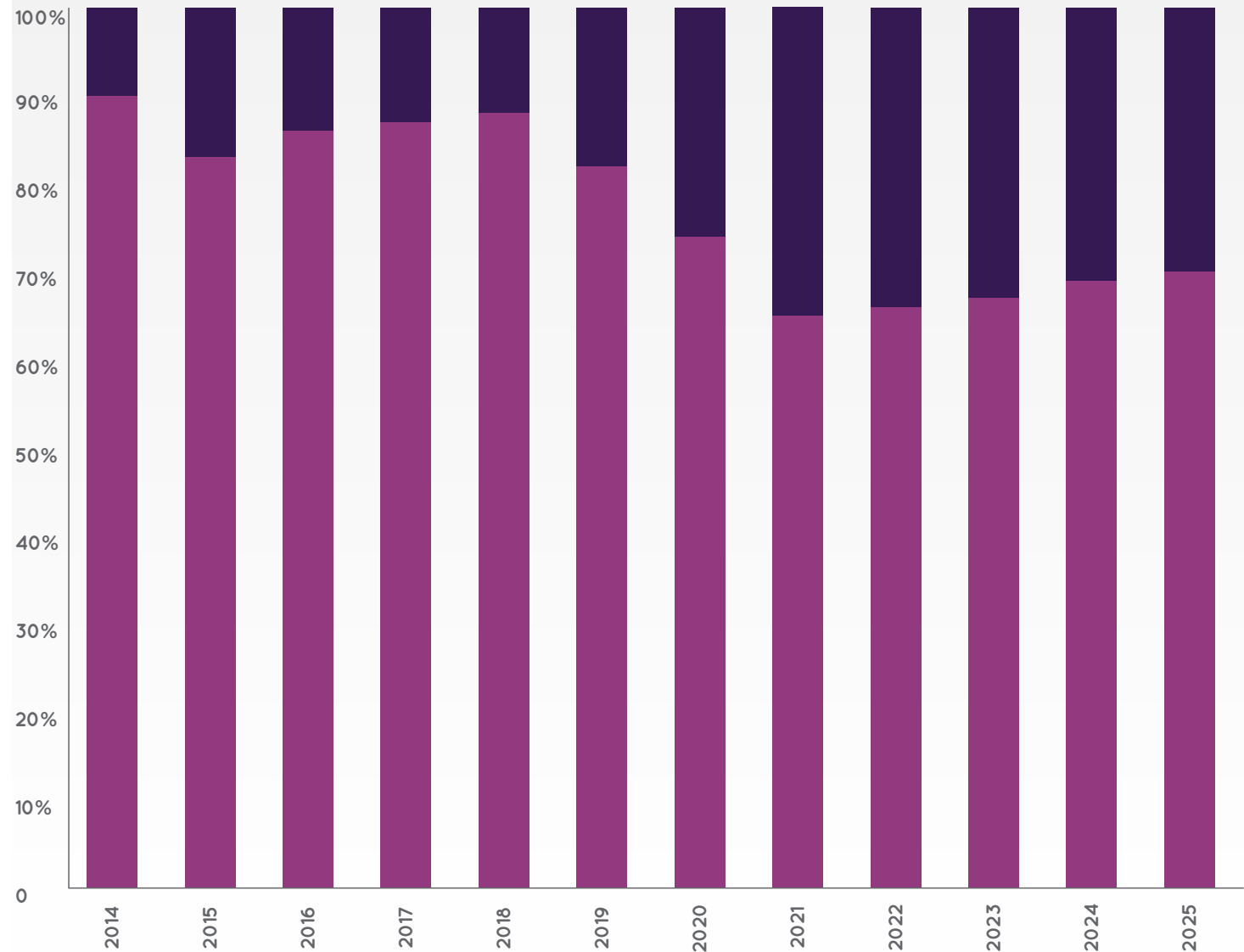
This gives us substantial financial capacity to focus on attractive opportunities we identify. Most importantly, it enables us to consider each opportunity on its own merits rather than concentrate on how we are going to fund it. It also gives us a very strong platform, stabilising our income in a fast-changing world while optimising financial returns right across our organisation.

#### 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. We experienced 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.

Fixed and floating mix of debt, as at March 2015

● Total fixed  
● Total variable

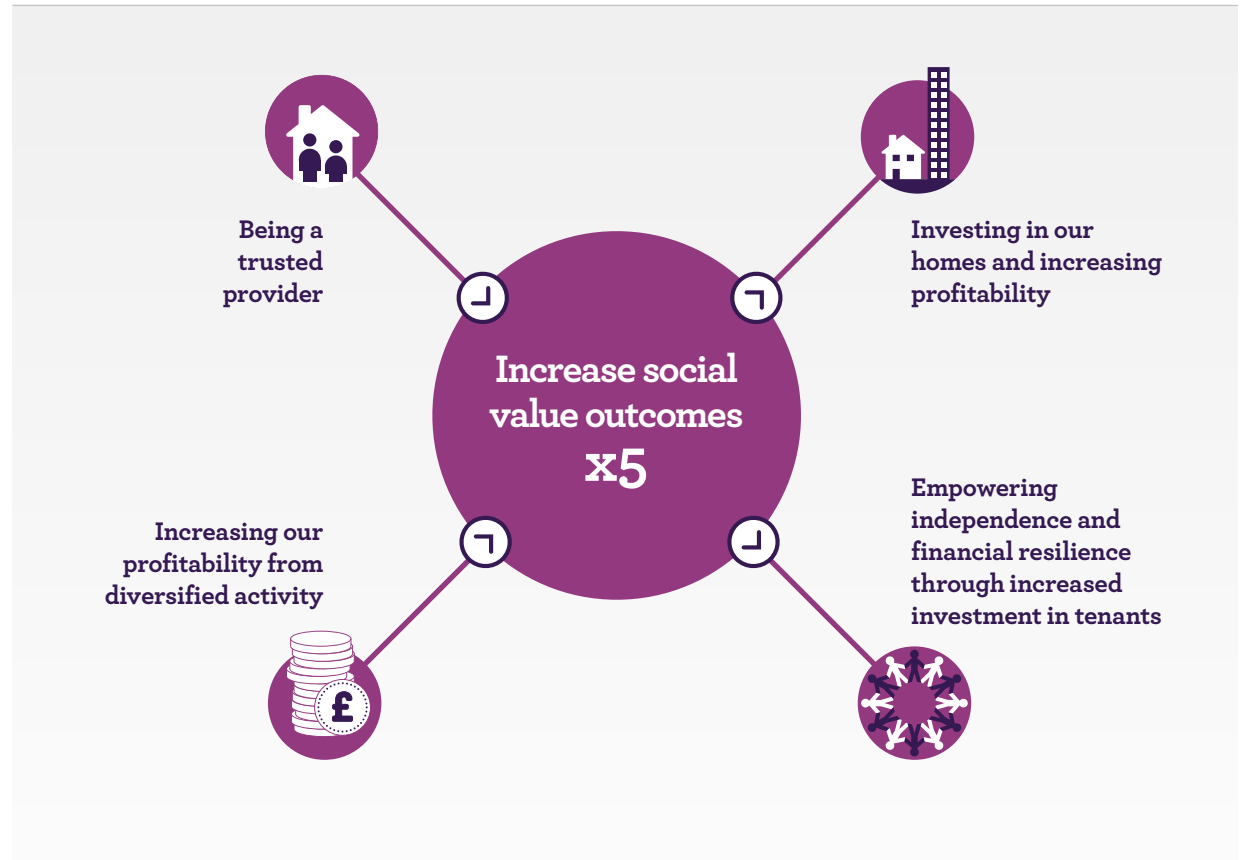


# Value for money

## Improving value for money (VFM) is how we deliver our vision.

Delivering more with less is built into our Vision. Our Vision (illustrated to the right) is to optimise the return on existing affordable rented homes and the profits from our diversified activities so that we can provide as many additional affordable homes as possible, invest in enhancing existing homes and help our customers to be independent and financially resilient.

We plan to make our resources go further by improving the efficiency of our social housing lettings, the profitability of complementary non-social housing letting activity and our return on assets.



Our Executive Team, Group and Subsidiary Boards monitor the delivery of this combination of inputs, outputs and outcomes monthly through a 'Vision Scorecard' developed with Boards and launched in March 2014 as a key tool to measure and drive better value for money during 2014/15 and includes our

medium-term stretch targets and benchmarks based on g15 median. The scorecard (illustrated on pages 47 and 48), which has been considered at every Board meeting, shows that aspects of our operations deliver good VFM but, having fallen short of expectations in 2014/15, the most important outcome for us in 2015/16 is

ensuring we deliver a consistent and reliable repairs service. We also acknowledge that we have some way to go to make VFM part of everything we do. Our VFM Strategy sets out how we plan to improve VFM performance and culture across the organisation to make the positive step change in VFM required in moving towards our vision.



# Circle Housing vision scorecard



<b>1 TRUSTED PROVIDER</b>	2013/14 Full year	2014/15 Full year	2015/16 Target	Medium- term target	Benchmark*	2014/15 position compared to 2013/14 position	Position against benchmark
○ Number of affordable homes	61,643	62,197	62,734	100,000	-	↑	-
○ Rent and service charge collection	99.9%	99.9%	99.3%	100.0%	99.8%	→	✓
○ Current tenant arrears	2.8%	2.6%	3.0%	2.0%	4.6%	↑	✓
○ Former tenant arrears	1.1%	1.2%	1.1%	0.5%	1.5%	↓	✓
○ Percentage of homes occupied	99%	99%	99%	99%	99%	→	✓
○ Annualised responsive repairs cost per home (inc. servicing)	£846	£863	£785	£690	£720	↓	X
○ Number of days to re-let a home	33 days	43 days	24 days	20 days	29 days	↓	X
○ Urgent and emergency repairs completed in target times	76%	57%	98%	100%	85%	↓	X
○ Decent Homes Standard % (excl. Circle Housing Merton Priory)	100%	100%	100%	100%	94%	→	✓
○ Percentage of properties above SAP 70	59%	55%	66%	70%	65%	↓	X
○ Operating cost per social housing property	£3,626	£4,411	£4,329	£3,900	£3,900	↓	X
○ Management cost per social housing property	£1,470	£1,613	£1,510	£1,200	£1,200	↓	X
○ Return on assets – gross to operating yield (social and non-social lettings)	7.5%	7.7%	7.2%	7.2%	11.1%**	↑	X
<b>DIVERSIFIED ACTIVITY</b>	2013/14 Full year	2014/15 Full year	2015/16 Target	Medium- term target	Benchmark*	2014/15 position compared to 2013/14 position	Position against benchmark
○ Open market sales volumes	13	92	35	375	-	↑	-
○ Open market sales margins	69.0%	19.0%	20.0%	20.0%	-	↓	-
○ UK private rent margin	4.4%	4.5%	5.0%	5.0%	3.3%***	↑	✓
○ Landericus market rent margin	4.0%	5.3%	5.5%	5.5%	-	↑	-
○ Telecare connections	90,000	97,064	100,000	200,000	-	↑	-
○ Centra Pulse and Connect net margin	0.0%	0.0%	4.0%	10.0%	-	→	-
○ Centra Care and Support net margin	-7.0%	-3.0%	2.0%	5.0%	-	↑	-

- Circle Housing Registered Provider's Boards
- Centra Boards
- Corporate

- ↑ 2014/15 position improved on 2013/14 position
- 2014/15 position equal to 2013/14 position
- ↓ 2014/15 position deteriorated on 2013/14 position

- \* Benchmark is g15 unless stated
- \*\* Based on sample of g15 organisations
- \*\*\* IPD

- ✓ Above or equal to benchmark
- X Below benchmark

## Value for money continued

# 62,197

In 2014/15 we owned and managed 62,197 social and affordable homes

## Circle Housing vision scorecard continued

<b>2 MOVING FORWARD</b>	2013/14 Full year	2014/15 Full year	2015/16 Target	Medium- term target	Benchmark*	2014/15 position compared to 2013/14 position	Position against benchmark
○ Group surplus (£m)	£44.5m	£45.5m	£55m	>£55m	£87m	↑	X
○ EBITDA MRI interest cover	62%	107%	105%	>110%	193%	↑	X
○ Operating margin	30%	26%	32%	>32%	31%	↓	X
○ OVTA proceeds	£0m	£8.5m	£9m	>£9m	£40.1m****	↑	X
○ Credit rating	A2 (Stable)	A2 (Stable)	A2 (Stable)	A2 (Stable)	A1	→	X
○ Back office costs	13.50%	10.90%	9.9%	<9.9%	10.7%*****	↑	X

<b>3 PEOPLE AND PROPERTY VALUE OUTCOMES</b>	2013/14 Full year	2014/15 Full year	2015/16 Target	Medium- term target	Benchmark*	2014/15 position compared to 2013/14 position	Position against benchmark
○ New affordable home completions	381	579	797	875	534	↑	✓
○ Transfer homes acquired	0	69	125	1,000	-	↑	-
○ SROI financial inclusion interventions	£12.0m	£ 15.8m	£ 16.0m	£28.0m	-	↑	-
○ SROI employment and skills interventions	£21.0m	£ 17.8m	£ 18.0m	£24.0m	-	↓	-
○ House Exchange moves (landlord methodology)	-	3,890	-	-	-	-	-
○ Customers and staff using Circle Housing Money	-	736	2,000	5,000	-	-	-
○ Net Promoter Score - general needs only	+11	+4	+10	+25	-	↓	-
○ Customers satisfied with their last repair (all tenures)	89.0%	86.0%	90.0%	95.0%	82.0%	↓	✓

- Circle Housing Registered Provider's Boards    ↑ 2014/15 position improved on 2013/14 position
- Centra Boards    → 2014/15 position equal to 2013/14 position
- Corporate    ↓ 2014/15 position deteriorated on 2013/14 position

- \* Benchmark is g15 unless stated
- \*\*\*\* Proceeds for all existing property sales including right to buy and staircasing. Circle Housing equivalent figure £28.6 million
- \*\*\*\*\* Baker Tilly

- ✓ Above or equal to benchmark
- X Below benchmark

## A Trusted Provider

We house one in every 300 people in England, providing 62,197 affordable homes across our nine Registered Providers (RPs) at an average weekly rent of £109.78 for our social rented properties and £134.85 for affordable rented properties. Our 29,000 affordable homes in London – at 67% of market rent – are in line with g15 average affordable rent of £152.54 and lower than the 80% of market rent we are able to charge. We set affordable rents with reference to our target income group in a four digit postcode locality to ensure that rents are truly affordable to those whom we are looking to house.

## Return on assets – social housing lettings

We have begun measuring the return on assets of our affordable housing property portfolio. The gross yield is the annual rent as a proportion of the value of the property. A high gross yield suggests the property has a high future maintenance requirement because this has the effect of reducing the value of the property. The operating yield is lower because it deducts the costs of managing and maintaining the property from the rent. The smaller the gap between gross and operating yield the more economically the properties are being managed and maintained. The chart below shows the gross yield has increased between 2013/14 and 2014/15 due to an increase in forecast future maintenance work, and the gap between gross and operating yield has widened due to the additional cost of restoring our repairs and maintenance works.

Return on assets – social housing lettings	Social housing lettings	EUV-SH (£m)	Turnover (£m)	Gross yield	Operating yield	Gap
Social rent	45,949	2,189	275.7	12.6%	3.4%	9.2%
Supported housing	5,358	255	29.0	11.4%	4.4%	7.0%
Shared ownership	4,192	298	15.8	5.3%	2.3%	3.0%
Leaseholder*	5,863	279	4.7	1.7%	0.3%	1.4%
Intermediate rents**	835	43	7.6	17.6%	13.2%	4.4%
Total 2014/15	62,197	3,064	332.8	10.9%	3.2%	7.7%
Total 2013/14	–	–	–	10.7%	3.2%	7.5%

\* Excludes 699 non-social leaseholders. \*\* Includes 71 temporary social housing units.

The table below breaks down the gap between gross and operating yield further by each RP Partner. Outliers from our Group average performance include Circle Housing Old Ford, Circle Housing Merton Priory and Circle Housing Roddons, where the future maintenance plans reduce the value of our properties, which in turn increases the gross yield and therefore the gap between gross and operating yield. Over time, as we improve the condition of our properties, the value of these houses would expect to increase and align with the Group averages.

Return on assets by RP partner	Circle Housing Circle 33	Circle Housing Old Ford	Circle Housing Mercian	Circle Housing Roddons	Circle Housing South Anglia	Circle Housing Wherry	Circle Housing Merton Priory	Circle Housing Mole Valley	Circle Housing Russet	Group average
2015/15										
Return on assets – gross to operating yield gap – social housing lettings	6.0%	12.6%	8.5%	10.0%	7.3%	7.2%	11.5%	8.4%	6.2%	7.7%
2013/14										
Return on assets – gross to operating yield gap – social housing lettings	7.0%	10.7%	7.4%	10.8%	6.7%	6.7%	12.8%	8.9%	4.6%	7.5%

## Value for money continued

# 97%

In 2014/15, 97% of our telecare alarm calls were answered within 90 seconds

The 'Moving Forward' section of this self-assessment set out our plans to improve VFM by reducing the gap between gross yield and operating yield while improving service quality and satisfaction. This is how we will be able to deliver as many additional affordable homes as possible and invest in enhancing existing homes.

The Trusted Provider quadrant of our scorecard (which is broken down by our nine RPs in the table on the following page demonstrating how our VFM metrics link) shows the aspects of our operations that delivered good VFM in 2014/15, including overall landlord and repairs satisfaction in Circle Housing Roddons and Circle Housing Wherry, rent and service charge collection and current tenant arrears. Our approach to rent collection is a good example of our business model. Based upon the founding principle of maximising the support, assistance and services provided to enable customers to pay rent, our approach builds financial resilience and independence. In partnership with the Department of Work and Pensions and Broadland District Council, Circle Housing Wherry has designed and implemented 'HB2U' in order to test the claim, customer advice and triage processes for Universal Credit – and establish the optimum, best practice approach for providing our tenant customer with the best possible advice and support as they transition to having benefit paid directly to them. This also serves to minimise the risk of non-payment of rent to us as landlord. Our approach to income collection has kept arrears significantly lower than peers, reducing from 2.8% to 2.6% in 2014/15.

Our metrics also highlight areas we can improve VFM. Most notably, having fallen short of expectations in 2014/15, the most important outcome for us in 2015/16 is ensuring we deliver a consistent and reliable repairs service.

Following the sector's biggest procurement exercise in 2013/14 (which included involving over 400 customers from concept to procurement) we mobilised six new ten year R&M contracts, originally targeting improved service and cost savings of £100.0 million. The mobilisations have been extremely challenging and our R&M services have fallen short of our expectations – particularly in Circle Housing Circle 33 and Circle Housing Old Ford – resulting in us terminating the Central Region Responsive Repair contract with Kier.

During 2014/15 we invested £3.2 million more than 2013/14 in additional staff resources to support our customer service, complaints and repairs teams with recovering our repairs service in Circle Housing Circle 33 and Circle Housing Old Ford. Following consultation with Partner Boards, we agreed to prioritise an additional £9.0 million to make short and long-term improvements to our repairs and maintenance services. Of the £9.0 million, £4.6 million is for the continuation of additional resources including third-party support to manage and administer the repairs process across repairs, customer service and complaints teams, £2.0 million for additional response repair costs in the Central Region and £2.4 million to improve the quality of our stock condition information.

In 2015/16 we are targeting an increase in repairs completed within target time from 57% to 98%, a reduction in the time it takes to re-let properties from 43 to 24 days and an improvement of satisfaction. Our Board considered the opportunity costs of this decision and agreed that the savings set out in 'Moving Forward' should be used for this purpose. We are making progress following the appointment of Mitie and Wates Living Space to provide responsive repair services across the Central Region. Performance across all response repair contractors to the end May 2015 is shown below. Services continue to be monitored by customers with recommendations for improvement clearly provided to contractors.

	Wates	Mitie	Internal	Keepmoat
Emergency repairs completed on time	73%	76%	78%	95%
Urgent repairs completed on time	76%	77%	91%	98%

Trusted landlord VFM metrics 2014/15	Circle Housing Circle 33	Circle Housing Mercian	Circle Housing Old Ford	Circle Housing Roddons	Circle Housing South Anglia	Circle Housing Wherry	Circle Housing Merton Priory	Circle Housing Mole Valley	Circle Housing Russet	Group average for 2014/15	Group internal target for 2014/15	Benchmark**
Rent and service charge collection	101.3%	99.7%	95.5%	99.8%	99.5%	99.7%	100.1%	100.4%	99.9%	99.7%	99.5%	99.8%
Current tenant arrears	2.4%	3.0%	4.3%	0.9%	3.6%	2.9%	2.7%	1.0%	2.8%	2.8%	2.9%	2.8%
Vacant homes available to let or pending completion of works	1.1%	1.0%	0.7%	0.5%	1.6%	0.6%	0.2%	1.2%	1.0%	0.9%	1.2%	1.0%
Responsive repairs cost per property (including servicing)	£791	£784	£1,138	£790	£911	£731	£885	£988	£1,001	-	-	-
Re-let time	32 days	42 days	65 days	22 days	70 days	29 days	28 days	27 days	36 days	38 days	25 days	32 days
Urgent and emergency repairs completed within time band	20%*	50%*	50%*	88%	77%	84%	86%	82%	86%	57%	99%	89%
Net Promoter Score	-11	+15	-15	+31	-5	+31	-13	+13	+20	+7	+18	+13
Customer satisfaction with services provided by their landlord	65%	83%	71%	88%	76%	87%	67%	82%	80%	77%	73%	80%
Customers satisfied with last repair	73%	84%	82%	94%	83%	91%	85%	89%	86%	86%	95%	85%
Properties that are above SAP 70	76%	62%	79%	30%	42%	50%	50%	23%	11%	55%	64%	50%
Operating cost per General Needs social housing property owned	£5,035	£4,118	£5,435	£3,156	£4,503	£3,889	£4,563	£4,795	£3,761	£4,411	-	£3,900
Management cost per General Needs social housing property owned	£2,012	£1,477	£1,667	£1,404	£1,931	£1,508	£1,426	£1,982	£1,650	£1,613	-	£1,200

\* Data provided by Kier, but separate validation calls indicate this is nearer to 65%

\*\* Housemark data

● RP exceeded or equalled Group internal target

● RP failed to meet Group internal target

## Value for money continued

# £8.5m

In 2014/15 our Asset Management Strategy released £8.5 million from the sale of homes to increase the supply of new affordable homes

We understand that our trusted landlord services are relatively expensive. Our average operating cost per social housing letting is £4,411 and management cost per social housing letting is £1,613. This compares to g15 medians of £3,900 and £1,200. The higher unit costs in Circle Housing Old Ford and Circle Housing Circle 33 represent the additional resources invested to restore customer satisfaction and reputation in these RP Partners, where measures of satisfactions both with the repairs service and overall landlord service are lower. The chart also shows a wide spread of energy efficiency across our stock ranging from 79% (of properties above SAP 70) at Circle Housing Old Ford due to the proportion of newer good quality homes to 11% at Circle Housing Russet.

The work of resident scrutiny continues to grow across Circle Housing, and we offer training and mentoring to our customers to ensure they have the necessary skills and support to engage in these activities effectively. During 2014 and early 2015 reviews, 89 recommendations were made to RP Partner Boards in relation to Mutual Exchange processes, Customer Services, Voids and Re-lets, Single Equality Scheme, ASB, Welfare Benefit Reform and Complaints. During 2015/16 we will directly link this work to improving VFM by ensuring the scope of all Resident Scrutiny is framed by recommending targets for the effectiveness of services and – in doing so – providing a direct resident involvement in improving VFM.

### Increasing profit from diversified activity

Creating profits from complementary diversified activity is a key part of our VFM Strategy because it provides additional resources to deliver the outcomes set out by our vision. In 2014/15 we have increased profits from the sale of newly developed property. As shown by the Vision Scorecard, margins from our private rented portfolio increased in 2014/15. During 2014/15 we improved our Care and Support operating model and divested loss making contracts which will set the Care and Support charity and Domiciliary Care business towards profitability in 2015/16 without compromising satisfaction. During 2015/16 we will be undertaking a similar restructuring of our Telecare business to improve return without compromising service levels. We will be extending our social return on investment model (see Property and People value outcomes on page 57) to our Care and Support services so that future investment decisions can be made with consideration of social value being created.

Non-social housing VFM metrics		2013/14	2014/15	2015/16
Centra Care and Support	Telecare alarm calls answered within 90 seconds	90.0%	97.0%	98.0%
	Telecare profit/(loss)	£0.1m	£-m	£0.2m
	Care and Support satisfaction	91.4%	80.0%	90.2%
	Care and Support profit/(loss)	£(0.7)m	£(2.0)m	£0.2m
	Domiciliary Care profit/(loss)	£(0.5)m	£(0.2)m	£0.2m
Market rent	UK market rent profit/(loss)	£4.1m	£4.8m	£4.8m
	Landericus profit/(loss) before capital appreciation	£0.6m	£1.1m	£1.2m
	Landericus operating yield	3.6%	4.1%	4.9%
	UK market rent operating yield	n/a	3.0%	3.0%
Sales	First tranche sales profit	£1.2m	£2.9m	£5.9m
	First tranche sales margin	27%	20%	20%
	Market sale profit	£1.1m	£5.1m	£4.8m
	Market sale margin	69%	19%	20%

The return we generate from sales is used to fund the development of new affordable homes and represented 2% of the total subsidy required to deliver 1,134 affordable homes as part of the 2011-15 programme. Of the homes, 821 were for rent and 313 for shared ownership. The return from our care and support and market rent businesses is used to fund services that help our customers become financially resilient and independent.

### Moving forward

Our VFM Strategy sets out how we plan to improve VFM performance and culture across the organisation to make the positive step change required in moving towards our vision and the challenges of the July UK Budget. Our Fast Forward Circle business plan, Treasury Risk Management Policy and Asset Management Strategy will help us directly address our high operating and management cost per social housing letting, and bring costs in line with g15 median.

### Fast Forward Circle

In 2013/14 a review of the way we operate and deliver services led us to conclude that having 200 office locations, 5,000 suppliers, 278 unique IT applications, desk occupancy of less than 50%, three support staff for every customer facing member of staff and back office resources consuming 13.5% of turnover was not delivering good VFM. To address this we introduced a Group-wide transformation programme called Fast Forward Circle. A major part of our VFM Strategy, the Fast Forward Circle Business Case sets out how investing in technology and data can transform our customers' experience and make the way we operate considerably more cost effective. This will allow us to release resources to invest in providing as many additional affordable homes as possible, invest in enhancing existing homes and helping our customers to be independent and financially resilient. The chart below shows annual savings from decisions made in 2014/15 and planned for 2015/16 and 2016/17 showing that the programme is forecast to reduce our operating cost base by £25.3 million per year after 2017/18.

Fast Forward Circle (£m)		2014/15	2015/16	2017/18
Annual investment		(11)	(16)	(7)
Cumulative reduction in operating costs	From release of staff resources	2.1	12	16
	From closure of offices	0.5	1.0	3.9
	Procurement savings	1.0	3.6	5.4
<b>Total</b>		<b>3.6</b>	<b>16.6</b>	<b>25.3</b>

## Value for money continued

In 2014/15, the restructuring of leadership and senior management tiers of the organisation (reducing staff from 107 to 78) generated £1.5 million annual savings, increasing to £2.1 million per annum following the phasing out of transitional roles. We have also reduced our office footprint by creating agile working for 1,600 staff and vacated underutilised office space creating annual savings of £0.5 million.

In the short term, we are using these gains to invest in restoring our repairs and maintenance service. Average contracted staff numbers increased by 191 in 2014/15. 80 staff relates to: increased activity in care and support businesses (63), which was matched by contract income; and our internal repairs provider (17) to reduce the level of relatively expensive sub-contracting with the remaining 111 relating to additional staff supporting the recovery of our repairs service. We plan to reduce this number of additional staff as our repairs service recovers during 2015/16.

Having completed the restructuring of the Leadership Team in 2014/15, in 2015/16 and 2016/17 we are targeting a further £13.9 million annual savings through new leaders consolidating and rationalising resources for their area of accountability. This will allow us to reduce office costs by a further £3.4 million.

This will be supported by the consolidation of our processes and systems into Customer Relationship Management and Enterprise Resource Planning systems to improve data governance, provide a single view of our customers, enhance financial and performance reporting capabilities. This supports our medium-term aspiration for customers' access to our services to be digital by default and this approach to be mirrored for access to back office services. Over 750 customers were involved in our website research using a varied range of engagement methods. We are also undertaking a Governance Review and this may provide opportunity for further efficiency in 2015/16.

The table below shows that we delivered £1 million of savings against our budget from procurement-related activities in 2014/15 and are targeting an additional £2.6 million savings in 2015/16.

Business area	Description	Full contract saving 2014/15 (£000)	Full contract saving 2015/16 (£000)
South Anglia	Cost reduction by using alternative contract	26	Reduction in away days, staff conferences and associated meeting and catering costs (£400)
IS&T	Non-renewal of software licence	30	
IS&T	Negotiating credit for Microsoft Office 365 licences	15	Reduction in marketing budget (£750)
IS&T	New lines and minutes contract	30	
IS&T	Intranet development through Microsoft SharePoint	36	Reduction in postage, photocopying, printing and stationery costs (£400)
Development	Negotiating costs of property disposals	24	
Merton Priory	Reduced cost of transport planning consultancy	48	Reduction in leadership event costs (£135)
Merton Priory	Reduced cost of property advisor	7	
IS&T	Reduced price in WAN, alarm and data centre contract extension	225	Reduction in staff training (£200)
Sales and marketing	Cost reduction in London Property Agency fees	40	Reduction in research and improvement projects outside of Fast Forward Circle (£100)
IS&T	Cost reduction in licences for iServer	2	
Repairs and maintenance	Reduction in mobilisation/demobilisation costs	500	Reduction in staff travel (£600)
Finance	Recovery of duplicated payments	16	
		£1 million	£2.6 million

# £3.3m

Invested in social value in 2014/15



As shown by the table below, the savings from FFC to date has reduced back office costs from 13.5% to 10.9% and is forecast to move us into the upper quartile for back office cost efficiency in the sector.

Back office VFM metrics	2013/14	2014/15	2015/16	Benchmark
Back office costs as percentage of turnover	13.50%	10.90%	9.90%	10.70%*
Back office non-staff costs as percentage of turnover	8.30%	6.10%	5.20%	6.10%*
Finance staff costs as percentage of turnover	1.82%	1.65%	1.36%	1.28%*
HR staff costs as percentage of turnover	0.71%	0.72%	0.68%	0.69%*
IS&T staff costs as percentage of turnover	1.08%	0.93%	0.88%	0.62%*
Other back office staff costs as percentage of turnover	1.60%	1.80%	1.70%	1.02%*

\*Upper Quartile Sector Performance per Baker Tilly Back Office Benchmarking Club.

### Treasury Management Risk Policy

During 2014/15 we generated interest savings (against our March 2014 Board approved Long Term Financial Plan) of £27.8 million through our active interest rate management strategy, part of our Treasury Risk Management Policy. By very close management of how we use the cash retained as a business (such as paying back short term debt in order to minimise the interest paid as a Group) we ensure that the best rate of return is gained. In addition to these interest savings a further £0.3 million of transactional costs were saved as a result of the competitive dealing process run by our Treasury Team. This hedging activity and interest saving also provides the Group with a high level of certainty over its interest costs for the next five years.

	2013/14	2014/15	2015/16	Benchmark
Average cost of funds	5.1%	4.1%	4.1%	4.80%

## Value for money continued

### Asset Management Strategy

Our Asset Management Strategy builds on the 'Optimising Value through Assets' work we delivered in 2014/15. We have used a range of data about the performance of our stock to determine the net present value of every property we own. We applied this data together with local knowledge of stock for the first time in 2014/15 and, as shown below, this enabled us to release £8.5 million from the sale of homes with high costs in use and/or where location meant the home could be managed more effectively and efficiently by disposal to another social landlord. As a result of these decisions, the existing use value of the stock increased from £1.5 million to £2.6 million.

Optimisation route	Location	Reason for disposal or tenure change	Total units	Gross income (£000)
Disposal to another RP	Essex	Outside core operating area	58	5,100
	Rickmansworth	Outside core operating area	12	1,450
	Tonbridge	Outside core operating area	2	180
<b>Sub-total</b>			<b>72</b>	<b>6,730</b>
Tenure change to shared ownership	Barking & Dagenham	Better solution for tenant and area	1	84
<b>Sub-total</b>			<b>1</b>	<b>84</b>
Open market sales	London	Poor condition and significant initial costs	1	293
	London	Poor layout and condition	1	310
	Surrey	Poor condition and significant initial costs	1	299
	Kent	Poor condition and significant initial costs	1	260
	Kent	Poor condition and significant initial costs	1	190
	Kent	Poor condition and significant initial costs	1	241
	Norwich	Poor condition and significant initial costs	1	126
<b>Sub-total</b>			<b>7</b>	<b>1,719</b>
<b>Total</b>			<b>80</b>	<b>8,533</b>

From 2015/16 we are targeting the release of at least £9 million of resources a year from the 5% of our stock that is most expensive to occupy and maintain which will continue to reduce the gap between gross and operating yield, increasing the return on our assets and allowing us to provide more resources to develop new affordable homes with lower costs in use. To help make this assessment, the chart below shows the financial value of our affordable housing stock. This is calculated by looking at future rental income from each property less the costs of managing and maintaining each property. Properties with high future maintenance costs will therefore have a lower net present value (NPV).

RP	Total units	Poor - 30Yr NPV pu below £0	Marginal - 30Yr NPV pu between £0 - £15,000	Good - 30Yr NPV pu greater than £15,000
Circle Housing Circle 33	17,484	1.17%	3.43%	95.40%
Circle Housing Mercian	3,333	0.58%	34.06%	65.35%
Circle Housing Merton Priory	9,925	0.00%	0.23%	99.77%
Circle Housing Mole Valley	4,650	0.00%	6.37%	93.63%
Circle Housing Old Ford	6,263	0.31%	18.13%	81.57%
Circle Housing Roddons	4,553	0.73%	9.98%	89.29%
Circle Housing Russet	8,653	0.36%	1.46%	98.18%
Circle Housing South Anglia	8,630	1.39%	3.49%	95.12%
Circle Housing Wherry	7,359	0.42%	4.84%	94.74%
<b>Group average</b>	<b>70,850</b>	<b>0.67%</b>	<b>5.94%</b>	<b>93.40%</b>

### Property and People value outcomes

Beyond providing resources for our absolute priority to deliver a consistent and reliable repairs service in 2015/16, VFM gains we have made and are planning will allow us to deliver a step change in the delivery of affordable homes, maintaining our high levels of investment in enhancing existing homes and helping our customers to be independent and financially resilient.

Over 60% of our 62,197 affordable homes were previously in local authority ownership, reflecting our growth through stock transfer and subsequent regeneration. We have invested at high levels to ensure 100% of our properties are of at least a Decent Homes Standard (excluding Circle Housing Merton Priory, which is targeted for December 2015). In 2015/16 we will complete the £80.0 million regeneration programme at Orchard Village in Rainham which created 516 high-quality and energy efficient new homes and – subject to consultation and approval – commence a ten-year regeneration in Merton. The energy efficiency of our homes is lower than that of our peers, with 55% reaching SAP 70. In 2015/16 we will be using some of the savings set out above to undertake stock condition surveys and help us create investment programmes in line with the priorities set out in our Asset Management Strategy. This means that any resources invested over and above ensuring homes are compliant with legal, health and safety, Decent Homes Standard and stock transfer promise obligations will be targeted at making the greatest impact on the energy efficiency of our stock, reducing costs in use for our customers and improving return on assets.

## Value for money continued

The table below illustrates the increase in development of new affordable homes that will be possible if we can free up resources by delivering the step change in VFM set out in 'Moving Forward'.

Development aspiration (£m)	Long Term Financial Plan			Medium-term target
	2015/16	2016/17	2017/18	
Affordable homes	797	761	1,159	875
Market sale/Private rent	49	243	184	375
March 2015 Board approved plan	846	1,004	1,343	1,250
March 2013 Board approved plan	503	344	228	-

In 2014/15 we created £33.0 million social and environmental value from supporting customers to become financially resilient and independent. We invest in supporting customers to become financially resilient and independent through expert advice, training and learning new skills, and energy savings initiatives to reduce costs in use. We are taking a lead role in an EU Funded Programme (TRIME) to further develop this work. The tables on the following page show how we invested £3.3 million across our nine RPs during 2014/15 which benefited over 10,000 customer interactions. Our Vision Scorecard shows how this created £33.6 million of wider social and environmental value. We developed our social return on investment model to help show the value of our work to the taxpayer and guide our future investment to where it will have the best possible outcome. The model has been developed during 2014/15 to show real, immediate and measurable impact from the customer inventions (in 2013/14 the model estimated value beyond one year) and has achieved the Level 1 Social Value Quality Mark.

Social value delivered each year	2013/14	2014/15	2015/16
Investment in social value	£3.0m	£3.3m	£3.3m
Amount saved on energy bills per property	£197	£181	£200

Property and People value  
outcome VFM metrics 2014/15

	Circle Housing Circle 33	Circle Housing Mercian	Circle Housing Old Ford	Circle Housing Roddons	Circle Housing South Anglia	Circle Housing Wherry	Circle Housing Merton Priory	Circle Housing Mole Valley	Circle Housing Russet	Total
Customers provided with financial support services	451	155	650	222	297	675	1,125	1,000	898	5,473
Total number of employability services accessed	1,019	136	667	32	559	156	1,902	167	264	4,902
Customers supported into employment and skills opportunities	36	-	19	8	20	3	101	22	35	244

During 2014/15 we rolled out a single Credit Union service by teaming up with Leeds City Credit Union to launch Circle Housing Money. The partnership has been set up specifically for our customers and employees, giving them access to a consistent and comprehensive package of affordable financial services, including savings, affordable loans and alternative banking products, no matter where they live. The service helps them manage their money, build up a savings safety net and avoid resorting to the higher-cost credit sector when it comes to borrowing. Since the launch there has been a very positive uptake with over 200 customers signed up, exceeding our target of an initial 100 customer sign-ups, as well as staff. Our target for March 2016 is to have over 2,000 members gaining £780,000 of financial benefit.

We have also relaunched our 'Money Matters' service to provide support to our customers to deal with money matters via a mix of different channels including online, phone and face to face meetings. For example, over 1,300 support interventions were delivered online during 2014/15, approximately 20% of the total. Delivering via these different channels helps to increase the scale of support that is available and ensures that we can deliver to meet different customer needs.

During 2014/15 we have had 28 apprenticeship positions across Circle Housing. Circle Housing's Apprenticeship Programme continues to thrive and we are now in the top 100 Apprenticeship Employers in the UK. More customers than ever now have the opportunity to access apprenticeships or job opportunities with us, our suppliers and partners. Through our core business, we have strong links with the construction industry and extensive knowledge and experience of creating apprenticeships.

## Value for money continued

We also became the one of the first housing associations to be granted National Skills Academy for Construction Client Based Approach status for our approach to employment and skills in our new build Development Programme and have relaunched our employment and skills website called Circle Opportunities. This is an inclusive resource for people seeking employment or training support, including professional development and in-work support.

Circle Housing is committed to improving the energy efficiency of our housing stock and the sustainability of our operations. During 2014/15 we completed our 51 home Passivhaus social housing scheme in Rainham, Essex which has the potential to reduce energy costs for customers by up to 75%.

We also installed electric storage batteries in a street of properties in Circle Housing Wherry. This technology will help our residents save energy by storing electricity when it's cheaper and allowing them to use the energy when it's required.

The new set-up for supplying communal meters in our housing stock and to our offices allows us to purchase energy in advance and minimises our exposure to market price volatility. Overall costs for our energy bills managed under Group contracts have reduced by £180,000, reflecting the lower purchase price secured for electricity and gas. In addition, a further £609,000 savings were achieved through moving meters onto Group contracts and resolving queries around invoices. The benefits are passed on to our customers, where they are charged on energy use from the communal meters.

By providing more resources, our medium-term aspiration is to increase the social and environmental value of work we do to help our customers to be independent and financially resilient by a multiple of five.

### Conclusion

#### VFM Performance

In our 2013/14 VFM self-assessment, the target for urgent and emergency jobs completed in time was 95%. The result we achieved of 57% illustrates the difficulties we have experienced and its resultant impact on our customer net promoter score, which at +4 is lower than the +25 we were targeting and re-let times, which at 42 are higher than the 25 we were targeting. Our Fast Forward Circle transformation programme remains on track to deliver the £25 million savings we described in our 2013/14 self-assessment. Together with savings from asset management and treasury management, we have taken pro-active decisions on how to invest these resources to:

- ensure that we restore consistent and reliable repairs and maintenance services
- maintain investment in helping our customers to be financially independent and resilient which has ensured arrears have continued to outperform the sector.

Releasing more equity than planned from homes with a high cost in use has enabled us to keep increasing the number of new affordable homes we are completing.

Summary of VFM gains and how we are using them		2013/14	2014/15	2015/16
Gains	<b>Customer and property outcomes</b>			
	Number of affordable homes	61,643	62,197	62,734
	Current tenant arrears	2.8%	2.6%	3.0%
	Re-let time in days	33	42	24
	Urgent and emergency repairs completed in time	76%	57%	95%
	<b>Maximising resources</b>			
	Savings from Fast Forward Circle decisions	£-	£3.6m	£16.6m
	Savings from Treasury Risk Management Policy	£-	£-	£6.0m
	Equity released from high cost in use properties	£-	£8.5m	£9.0m
	Use of gains	Investment in resources to deliver a consistent and reliable repairs service	£-	(£3.2m)
Investment in catching up repairs work		£-	(£7.4m)	(£2.0m)
Investment in improving stock condition information		£-	-	(£2.4m)
Net Promoter Score		+11	+4	+10
New affordable home completions		381	579	797
Social return on investment		£33m	£33.6m	£34m

### VFM Strategy

Our VFM Strategy describes the step change in VFM performance and culture that will be required to achieve the medium-term targets set by our vision scorecard and the VFM challenge that the Chancellor's July Budget has set for us. Aspects of what we do are grounded in improving VFM, but we acknowledge there is some way to go before it is part of everything we do. During 2015/16 we will:

- deliver the 2015/16 vision scorecard targets for input, output and outcome metrics and link our vision scorecard to VFM metrics for each member of our new Leadership Team in order to help embed VFM within the business along with other culture change initiatives
- require all Board and Executive Team Reports to include a statement on how the report recommendations support the improvement of VFM for our customers
- ensure Board leadership of planning for 2016/17 and beyond will be framed by VFM so that the Board lead in the setting of input, output and outcome metrics that will deliver the step change in VFM for customers demanded by our vision and the July UK Budget.

# Valuing diversity

**“After volunteering as a diversity champion I joined the BAME Network and was really proud when I was elected its Chair. I have been involved in raising the network’s awareness, organising speaker events and finding out what our colleagues want from it.”**



## Lucy Mpofo



### **i Administration Officer for Centra and Chair of the BAME Network**

Lucy is at the heart of the specialist housing management team at Centra. She is part of the team that provides a housing and tenancy management service for customers with additional support needs. This can include customers with learning disabilities, mental health issues, the elderly and young, teenage parents, women fleeing domestic violence, probation services and people with substance addictions.

Two years ago she heard about Circle Housing’s Diversity & Inclusion initiative which was put in place to make sure that our organisation reflects the diversity of the communities we serve. Since joining our Black, Asian and Minority Ethnic (BAME) Network she has taken it from strength to strength and has won numerous awards. The network is closely involved with talent management and career progression of BAME staff. It promotes Circle Housing as an equality opportunity employer and service provider to stakeholders, customers and potential job applicants.

“The network has helped me see the opportunities I have and it has given me the drive to reach my goals. It has shown me how important it is to have diversity at the heart of our business. It helps us to best cater for the needs of our customers and attract talented people. Everyone should feel valued and

comfortable that they can be who they are at work – that way you get the best out of your workforce.

“So it was a great privilege and honour to be asked to collect our Future Workforce Award – Small Organisation in front of over 500 business leaders at the Race for Opportunity Awards. The award recognises what we are doing to enhance the skills and raise the aspiration and attainment of young BAME people, who make up a large proportion of our customer profile.”

### **9am – In the office**

My role is to support the Neighbourhood Officers in an administrative capacity. I compile tenancy agreements and sign-up packs, commence tenancies and make sure tenancy documents are electronically filed. All Officers, Neighbourhood, Income and Administrative, ensure customers are complying with their tenancy conditions and have access to the information they need.

I am proud to say the role of Administration Officer, although not front line, is instrumental to the service we offer our customers.

### **11am – BAME Network meeting**

We meet quarterly and our work is embedded at every level of Circle Housing. We work alongside other network groups, host live discussions on our social networking site, publish information for colleagues and organise events such as Black History Month.



### 12pm – A BAME Network organised event, hosted by Tim Campbell

Today our Diversity & Inclusion team has confirmed my aspiration for Tim Campbell MBE, Lord Sugar's first apprentice, to come and speak to us. He talks about how self-development is vital for success. We went to the same primary school and his story is inspirational. The event is open to all our colleagues and I am thrilled to see so many attend.

### 2pm – Mentoring scheme

Alongside colleagues at Circle Housing, there have been a few key people involved in my development who have consistently encouraged and supported me to be the best I can be. I am currently on a mentoring scheme and was matched to my mentor through the Housing Diversity Network. It does mean that I am away from the office at times and I am grateful for the support I get to do this. I hope to repay their support by mentoring others and in the future have further input in helping my colleagues.

### 8pm – Studying

I am ambitious and want to reach my full potential, and I want that for our customers too. I am so pleased to receive sponsorship from Circle Housing to study for my Chartered Institute of Housing Practice Level 3 Qualification. It makes me feel really valued and I fit in as much study as I can in my spare time. Over the weekends I have already completed a free online diversity qualification which I felt would benefit both me and the business.



Lucy meeting Tim Campbell MBE, who has come to our offices to speak to employees

The winners of our Black History Month competition, organised by the BAME Network, meeting Tim Campbell MBE



Staff at the summer Diversity & Inclusion Conference, where attendance increased from 50 in 2013 to 150 in 2014



# 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.

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, and the Group Audit and Risk Committee where relevant, and ultimately form the basis of detailed Board reporting.

→ To read more about how risk management is embedded in our way of working at the heart of our governance framework go to page 60

Risk	Responsibility	2015/16 mitigation
<b>We do not model welfare benefit reform accurately enough, or we do not take the appropriate strategic response to it</b>	Executive Director of Core Operations	We have a cross-functional Welfare Reform working group in place and undertake full financial modelling to look at the impact of this on our income. We carry out a range of activities to support our residents, including financial inclusion, worklessness and affordable warmth work to promote independence and to help our customers' money to go further. We have undertaken detailed risk and impact modelling of the potential range of impacts. We have initiated our own project, Housing Benefit To You (HB2U), to provide direct insight into the resource implication, rent collection consequences and risks of Universal Credit. This project benefits from seconded staffing resources from the Department for Work and Pensions and is subject to independent validation and oversight by Sheffield Hallam University.
<b>We fail to exercise ongoing cost control in the face of volatile income streams</b>	Executive Director of Resources	Our financial processes 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.
<b>Failure to control development cash flow and/or significant development overspend</b>	Executive Director of New Business	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 have a highly experienced development team and we carry out regular cash flow forecasting and credit/financial checks on our contractors.
<b>Failure to deliver a consistent and reliable repairs and maintenance service, including health and safety compliance</b>	Executive Director of Core Operations	We are working very closely with the HCA on our robust improvement plan. An interim management structure (Circle Housing Repairs Management Team) has been put in place. Savills is supporting us to deliver our recovery objectives to ensure we can meet the Decent Homes Standard and manage our health and safety compliance across the Group. We are improving our technology to support recovery and reporting and have developed new policies with external experts.

Risk	Responsibility	2015/16 mitigation
<b>Failure to deliver our target operating model will potentially reduce the Group's future investment power to deliver more homes and services, and make it more vulnerable to unforeseen financial risks</b>	Group Chief Executive	Our three-year transformation programme is well resourced and supported by external experts. 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.
<b>Our commercial investments fail to make adequate returns</b>	Executive Director of Diversified Operations	Our vision is clear on how diversification supports our mission to enhance life chances. The Investment Policy contains clear guidance on new diversified activity and this will be strengthened by the Diversified Activities Strategy which the Management Board will be considering in early 2016. The Management Board conducts an annual appraisal exercise to ensure appropriate skills and capacity are maintained to oversee the areas of business in which Circle Housing operates.
<b>Housing market price falls and/or sales volumes reduce</b>	Executive Director of Resources	We have robust scheme appraisal criteria and governance arrangements. Our dedicated Property Sales Team has a good track record of delivering shared ownership first tranche sales and open market sales. We keep our total level of exposure to the housing market within levels that would not pose a threat to a covenant breach of social housing assets.
<b>Circle Housing Merton Priory regeneration project does not proceed</b>	Executive Director of Governance	This is currently our biggest regeneration project. We work collaboratively with the London Borough of Merton and have appropriate support from a range of external specialist consultancies to ensure that we design a scheme that meets residents' needs and gains external support, whilst being affordable and meeting our charitable objectives.
<b>Circle Housing is unable to meet its liabilities</b>	Executive Director of Resources	The Treasury Risk Management Policy is reviewed annually with external experts. This requires Circle Housing to have in place facilities to cover at least 18 months of cost, and one month in cash. Less than 5% of Circle Housing's existing facilities are due to be refinanced in the next five years. Circle Housing stress tests a range of scenarios for interest rate changes, inflation, operating costs, property crash, development costs and a combination of all these factors. Scenarios used for inflation and interest are validated by an external advisor and in all scenarios did not breach covenants.

# Corporate governance at Circle Housing

→ Read more about the changes we have made to our repairs and maintenance service on page 31

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.

During 2014/15 we experienced significant challenges with the management of our responsive repairs service in parts of London. This resulted in the Homes and Communities Association (HCA) downgrading our Governance rating from G1 to G3. We have worked hard to make changes to improve our repairs service for customers as quickly as possible. We have also appointed Campbell Tickell to conduct an independent review of our governance structure and we will receive their findings in summer 2015.

## 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 Chief Executive Officer, 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. Partner Boards 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 comprises all Management Board members, together with the Chairs of each Partner Board and the Resident and Service User Panel.
- **The Remuneration and Succession Committee** – this reviews and recommends remuneration policies for Executives and Board members, oversees Circle Housing's Human Resources 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.

## 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 partners. 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. During the year two task and finish groups were set up to help us with the immediate recovery and longer-term improvements to our repairs and maintenance (R&M) service.

### Complying with the National Housing Federation Code

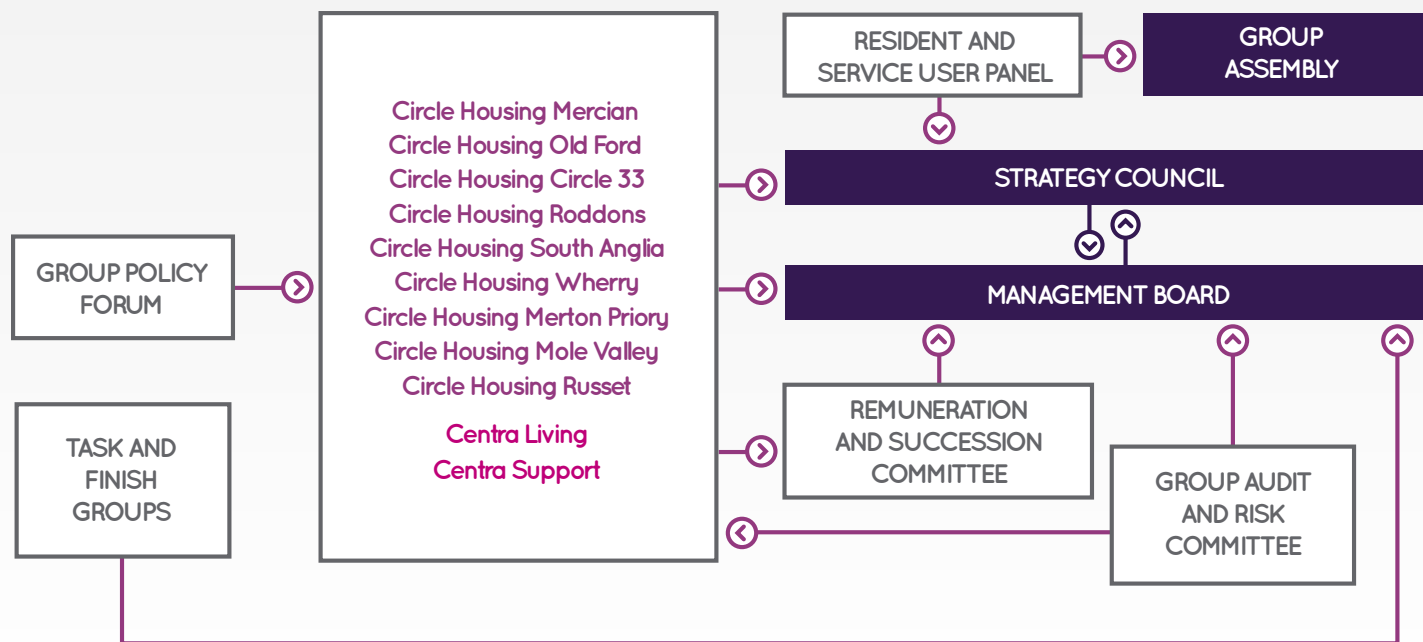
We also aim to work within the standards and requirements of the National Housing Federation Code of Governance. This code is designed to ensure that housing providers such as Circle Housing aim for the highest possible standards. The principle underpinning the code is that organisations should either

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 Chief Executive 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.

### Circle Housing governance structure



# Management Board



← **Sir Robin Young**  
Chair

Sir Robin enjoyed a successful career in the highest echelons of the Civil Service, spanning 31 years. Sir Robin was Permanent Secretary at the DTI and DCMS between 1999 and 2005. As Head of Economic and Domestic Affairs at the Cabinet Office in 1998, Sir Robin advised former Prime Minister

Tony Blair on a range of domestic and economic issues. As Under-Secretary for Housing, he headed the team responsible for oversight of the Housing Corporation. Since 2005, Sir Robin has pursued a portfolio of Non-Executive and advisory positions.



↑ **Mark Rogers**  
Group Chief Executive

Mark has led Circle Housing for ten years since Circle 33 and Anglia Housing Group merged in 2005. He is currently Chairman elect of the g15, which represents London's 15 largest housing associations. Mark first joined Anglia Housing Group as Chief Executive in 2003. Prior to this he was Chief Executive of Nene Housing Society after being Director of Customer Services at Circle 33. He is a member of the Chartered Institute of Housing.



↑ **Simon Braid**

Simon was Head of Charities and Social Housing at KPMG 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. He chaired the ICAEW Social Housing sub-committee and was also a member of the Social Housing SORP Working Party. Simon is a part-time Anglican priest in Kent.



↑ **Tania Brisby**

Tania has worked in investment banking (Samuel Montagu, NatWest Group, Deutsche Bank) and consultancy services. In the public sector, she was seconded to manage a European Commission privatisation programme in Bulgaria in the 1990s and has been advising the NHS on competition and governance, as Chairman of the NHS Midlands and East Competition Panel until April 2013 and currently as a member of the Advisory Board of South East CSU. Tania is a member of the Financial Reporting Council's Tribunal Panels.



← **Jane Clarkson**

Jane is the former Deputy Chair and Non-Executive Director of Teachers Assurance, one of the largest friendly societies. She was a founder member of the RICS Regulated Activities Committee and formerly Chair of her local authority's Standards and Audit Committee. Jane has a range of transferable skills and has worked as a consultant to a number of financial services organisations including IFA networks and nationals, insurers and venture capital investors. She is a member of the Law Society's Audit Committee and also serves as a Magistrate.



← **Stephen Jacobs OBE**

Stephen is chair of Circle Housing Old Ford and Centra Support. His career is characterised by innovative regeneration work within inner-city areas based on experience of housing, health and social care in deprived communities. He has held various Executive and Non-Executive positions including a key community relations role within the successful London 2012 Olympic Bid team. He has established a number of social enterprise companies and held visiting professorships at the Universities of Coventry and London South Bank.



← **Baroness Maggie Jones**

Maggie is the Chair of the Remuneration and Succession Committee. She is also Shadow Education spokesperson in the House of Lords. She was previously Director of Policy and Public Affairs at trade union, UNISON, a Trustee of Shelter and Chair of the Empty Homes Agency. She is currently a Board member of WRAP, the waste and resources action programme, and a Board member of Ombudsman Services where she also chairs the Remuneration Committee.



← **Brian Stewart OBE**

Brian is a portfolio Non-Executive Director and consultant, following a career in local and regional government. He was the Chief Executive of two Scottish local authorities and the East of England Regional Assembly. He has experience as a Non-Executive Director of an NHS Foundation Trust, a charity Trustee and various consultancy roles. His current portfolio includes chairing the Sizewell C Community Forum, sitting on the HS2 Phase 2 Exceptional Hardship Scheme and acting as a trustee of Ormiston Families, a major regional children's charity. Brian is Chair of Circle Housing Wherry.



← **Bob Hughes**

Bob has a background in housing and law. He worked at the Housing Corporation as a funder and a regulator. Subsequently he was Head of Policy at Brighton & Hove Council, and has had a number of senior management roles in housing associations. He has a particular interest in service delivery, finance and performance. He is a trained Citizens Advice Bureau volunteer and also a Pension Fund Trustee where he chairs the Investment Committee. Bob is Chair of Circle Housing Mole Valley.



← **Jenny Mills**

After 30 years of working for IT services companies, initially in technical roles then sales and marketing and general management, Jenny joined Hanover Housing Association as Group Director of Corporate Services with responsibility for Governance, IT, HR and Marketing. Jenny was appointed Chair of Circle Housing Merton Priory Homes in February 2011, a member of the R&S Committee in 2012, and a member of the Management Board in 2014. Jenny is also a Board member and Chair of the Finance Committee of The Migraine Trust, a UK charity.

# Executive Team



← **Mark Rogers**  
Group Chief Executive

Mark has led Circle Housing for ten years since Circle 33 and Anglia Housing Group merged in 2005. He is responsible for setting the direction of the organisation and overseeing its operations. Under his leadership the Group has doubled in size, successfully integrating seven new housing partners. He is currently Chairman elect of the g15 which represents London's 15 largest housing associations and manages more than 400,000 homes across the capital. Mark has

over 20 years' experience in the housing sector. He first joined Anglia Housing Group as Chief Executive in 2003. Prior to this he was Chief Executive of Nene Housing Society in Peterborough after being Director of Customer Services at Circle 33. He is a member of the Chartered Institute of Housing and has a BA Honours in Law.



← **Sasha Harrison**  
Executive Director (Core Operations)

Sasha is an experienced leader with a strong housing operations background. From starting on the front line 20 years ago as a Housing Assistant, Sasha worked her way to more senior operational positions in stock transfer organisations and large groups. She has been with Circle Housing for four years as a Regional Operations Director. Most recently

Sasha has led and championed our customer access and loyalty programmes, driving many key strategic projects, working with teams across the Group to put customers and people at our heart. Sasha also leads housing operations, sustainable communities and financial inclusion.



← **Robert Kerse**  
Executive Director (Resources)

Robert joined in 2013 and is responsible for leading the Finance, Treasury, IS&T, HR and Facilities Teams at Circle Housing. He is also the Executive and strategic lead for Diversity & Inclusion across the Group. This is Robert's fourth Finance Director role in the housing association sector, having joined from Genesis Housing Association where he led Genesis' finance, IT and procurement functions.

Robert started out his career with PricewaterhouseCoopers where he trained as a chartered accountant. It was whilst he was at PricewaterhouseCoopers that he developed a strong interest in the sector and took the opportunity to join Bristol Community Housing Foundation, which was a start-up organisation, before moving on to the Arcadia Housing Group as Group Director of Resources.





← **Deborah Upton**  
Executive Director (Governance)

Deborah is a solicitor with extensive senior level public sector experience within local government. She is also the editor of a leading corporate governance book, and has been an examiner for the Law Society postgraduate law course. Her areas of expertise are government law, change management, and service improvement.

Deborah is responsible for maintaining the high standards of corporate governance across the Group, keeping abreast of all legislative, regulatory and corporate governance together with legal, audit, major projects and transformation.



← **Mike Ward**  
Executive Director (New Business)

Now in his 19th year at Circle Housing, Mike leads the New Business Directorate for the Group. As well as housing development and growth, his remit covers our strategic asset portfolio work (known as 'Optimising Value Through Assets'), housing transfers and new partnerships, regeneration, place-making and innovation. The latter focuses on empowering people across the business to develop and

hot-house great ideas. Mike is Vice-Chair and first UK Board member of European Federation for Living: an action-focused network of housing, construction and academic organisations across Western Europe. Previous roles with the Group have included property sales, housing stock transfer and delivery of supported housing for vulnerable people.



← **Steve Woodcock**  
Executive Director (Diversified Operations)

Steve joined Circle Housing in August 2010 as Managing Director at Circle Housing Russet, and then took a number of other roles within the Group before being appointed as Executive Director in February 2015. In his current role he takes responsibility for Centra Care and Support, our home ownership portfolio, our direct labour organisation, our market rent portfolio, property sales and our social value work.

He has had a varied career to date in housing, having previously worked for a number of other high-profile Registered Providers in various different roles.

# Board statement

on the effectiveness of the system of internal control for the period ending 31 March 2015

**The Group Management Board acknowledges its ultimate responsibility for ensuring that the Group and its partners have in place a system of controls that is appropriate to the various business environments in which they operate and for the review of the effectiveness of that system during the year.**

These internal controls are designed to identify and manage rather than eliminate risks which may prevent the organisation from achieving its objectives.

The system 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, 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 and embedded across the Group by documenting and collating evidence to support good practice and compliance.

## Internal assurance activities

Staff and line managers review their own risks in line with the Circle Risk Management Policy. The system is designed to instil a greater understanding of risk and assurance to all employees. Circle Housing has adopted the Three Lines of Defence model and has a comprehensive Business Assurance Framework. A range of assurance activities take place across the business, including performance monitoring and compliance checks. Members of the Executive Team and senior leaders make a statement to evidence that this has happened. The Board of each legal entity writes to the Group Audit and Risk Committee to confirm the assurance activities that have taken place in that partner.

## Internal audits

The Group's internal auditors are used to provide independent and objective assurance on our control framework and management of risks. Internal audit are not responsible for the design and construction of control systems but undertake an objective role in order to assess their effectiveness. The internal auditors undertake this responsibility on behalf of Circle Housing 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. The Group Audit and Risk Committee (the Committee) is responsible for monitoring that actions identified as a result of audits are implemented in a timely fashion.

## External audit assurance

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

## Risk management and governance

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

However, during the year ending 31 March 2015 a number of risks have materialised in our R&M functions. This has led to a number of service and control failures and ultimately led to intervention from our regulator, the HCA. In February 2015 Circle Housing was issued with a Serious Detriment Notice based on failings in our repairs services in Circle Housing Circle 33

and Circle Housing Old Ford causing a breach in the Home Standard. This was followed by the regulator reviewing our compliance with the Governance Standards and downgrading us to a G3 rating, indicating that we were not meeting all of the requirements on Governance set out in the Governance Standard. In agreement with the regulator we have improved, and continue to, improve our position. Our Viability rating remained at V1, demonstrating that we continued to meet the requirements on viability set out in the Financial Viability Standard and we have the capacity to mitigate our exposures effectively. We have worked very closely with the regulator to put in place appropriate improvement and recovery plans and we have engaged a number of experts to work with us to resolve these issues as quickly as possible.

## Conclusion

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

The Board has considered the effectiveness of the system of internal control in existence in the organisation for the year ended 31 March 2015. The control framework and risk management processes were not working adequately across the entire entity. We have been and will continue to take steps to address the matters set out in the agreed recovery plan and the improvement plan to enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified by the regulator and improve the operation and adequacy of our system of internal control and risk management arrangements.

# 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.

Co-operative and Community Benefit 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 Group and the Association and of 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
- 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 books of account that disclose with reasonable accuracy at any time the financial position of the Association and enable it to ensure that its financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of

Social Housing 2012. The Board has general responsibility for taking such steps as are reasonably open to it 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 reappointment of KPMG as auditors of the Association.

## By order of the Board

**D Upton**  
**Secretary**

16 July 2015

Registered address:  
Two Pancras Square  
King's Cross  
London N1C 4AG

# 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 2015 set out on pages 75 to 128. 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 87 of the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the Association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Association and the association's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of the Board and auditor

As more fully explained in the Statement of Board's Responsibilities set out on page 73, 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](http://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 the Association as at 31 March 2015 and of its surplus for the year then ended;
- comply with the requirements of the Co-operative and Community Benefit Societies Act 2014; and
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

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

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

- the Association has not kept proper books of account; or
- the Association has not maintained a satisfactory system of control over transactions; or
- the financial statements are not in agreement with the Association's 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  
15 Canada Square  
London E14 5GL

# Group income and expenditure account

for the year ended 31 March 2015

# Statement of total Group recognised surpluses and deficits

for the year ended 31 March 2015

Group	Note	2015 £m	2014 £m*
<b>Turnover: continuing activities</b>	3	<b>411.8</b>	362.7
Cost of sales	3	<b>(38.3)</b>	(6.7)
Operating costs	3	<b>(267.7)</b>	(245.9)
<b>Operating surplus: continuing activities</b>	3, 5	<b>105.8</b>	110.1
Surplus on sale of fixed assets – housing properties	6	<b>13.7</b>	14.6
Interest receivable and other income	7	<b>3.7</b>	8.1
Interest payable and similar charges	8	<b>(80.8)</b>	(87.0)
Other financial income/other finance (costs)	30	<b>0.3</b>	(0.7)
<b>Surplus on ordinary activities before taxation</b>		<b>42.7</b>	45.1
Tax credit/(charge) on surplus on operating activities	10	<b>2.8</b>	(0.6)
<b>Surplus for the financial year after taxation</b>	33, 34	<b>45.5</b>	44.5

\*2013/14 interest receivable and payable have been reanalysed for comparability as per note 8.

Group	Note	2015 £m	2014 £m
Reported surplus for the financial year	33, 34	<b>45.5</b>	44.5
Actuarial (losses)/gains recognised in the pension scheme net of deferred tax	30	<b>(11.1)</b>	1.5
Exchange rate gains/(losses)	33	<b>1.0</b>	(1.2)
<b>Total recognised surplus for the year</b>		<b>35.4</b>	44.8

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

# Association income and expenditure account

for the year ended 31 March 2015

# Statement of total Association recognised surpluses and deficits

for the year ended 31 March 2015

Association	Note	2015 £m	2014 £m
<b>Turnover: continuing activities</b>	3	<b>106.1</b>	75.2
Operating costs	3	<b>(107.3)</b>	(76.3)
<b>Operating deficit: continuing activities</b>	3, 5	<b>(1.2)</b>	(1.1)
Interest payable and similar charges	8	<b>(0.3)</b>	(0.1)
Other finance costs	30	<b>(0.1)</b>	(0.4)
<b>Deficit on ordinary activities before taxation</b>		<b>(1.6)</b>	(1.6)
Tax credit/(charge) on surplus on ordinary activities	10	<b>0.2</b>	(0.4)
<b>Deficit for the financial year after taxation</b>	34	<b>(1.4)</b>	(2.0)

Association	Note	2015 £m	2014 £m
Reported deficit for the financial year	34	<b>(1.4)</b>	(2.0)
Actuarial (losses)/gains recognised in the pension scheme net of deferred tax	30	<b>(2.2)</b>	0.4
<b>Total recognised deficit for the year</b>		<b>(3.6)</b>	(1.6)

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

# Group balance sheet

as at 31 March 2015

	Note	2015 £m	2014 £m
<b>Tangible fixed assets</b>			
Housing properties – depreciated cost	11	3,678.7	3,545.5
Less: Social Housing Grant	11	(1,409.5)	(1,393.5)
		<b>2,269.2</b>	2,152.0
Other tangible fixed assets	11	81.3	82.3
Goodwill	12	7.9	9.1
Investments	13	2.5	0.8
Investments in joint venture:			
Share of gross assets	13	8.5	–
Share of gross liabilities	13	(1.7)	–
Investment in property under HomeBuy scheme:			
Equity loans granted		13.0	13.1
Social Housing Grant		(13.0)	(13.1)
		<b>2,367.7</b>	2,244.2
<b>Current assets</b>			
Stock and work in progress	14	55.9	69.2
Debtors due within one year	15	70.8	83.8
Investments	16	153.1	18.1
Cash at bank and in hand		23.7	9.9
		<b>303.5</b>	181.0
<b>Creditors:</b> Amounts falling due within one year	17	(185.9)	(173.8)
<b>Net current assets</b>		<b>117.6</b>	7.2
<b>Debtors:</b> Amounts falling due after more than one year	15	151.7	163.4
<b>Total assets less current liabilities</b>		<b>2,637.0</b>	2,414.8
<b>Creditors:</b> Amounts falling due after more than one year	18	2,128.0	1,948.6
<b>Long-term pension liability</b>	30	33.4	24.7
<b>Capital and reserves</b>			
Non-equity share capital	32	–	–
Designated and other restricted reserves	33	5.0	8.1
Revenue reserve	33	470.6	432.1
Minority interests		–	1.3
		<b>2,637.0</b>	2,414.8

The financial statements were approved by the Board on 16 July 2015 and signed on its behalf by:

**Sir R Young**  
Chair

**S Braid**  
Board Member

**D Upton**  
Secretary

# Association balance sheet

as at 31 March 2015

	Note	2015 £m	2014 £m
<b>Tangible fixed assets</b>			
Other tangible fixed assets	11	19.7	13.5
Investments	13	0.9	0.9
		<b>20.6</b>	14.4
<b>Current assets</b>			
Debtors due within one year	15	6.4	14.5
Cash at bank and in hand		0.3	0.6
		<b>6.7</b>	15.1
<b>Creditors:</b> Amounts falling due within one year	17	<b>(24.2)</b>	(21.6)
<b>Net current liabilities</b>		<b>(17.5)</b>	(6.5)
<b>Debtors:</b> Amounts falling due after more than one year	15	<b>0.7</b>	-
<b>Total assets less current liabilities</b>		<b>3.8</b>	7.9
<b>Creditors:</b> Amounts falling due after more than one year	18	<b>12.2</b>	13.5
<b>Long-term pension liability</b>	30	<b>11.0</b>	10.2
<b>Capital and reserves</b>			
Non-equity share capital	32	-	-
Revenue reserve	34	<b>(19.4)</b>	(15.8)
		<b>3.8</b>	7.9

The financial statements were approved by the Board on 16 July 2015 and signed on its behalf by:

**Sir R Young**  
Chair

**S Braid**  
Board Member

**D Upton**  
Secretary



# Group cash flow statement

for the year ended 31 March 2015

	Note	2015 £m	2014 £m*
<b>Net cash flow from operating activities</b>	26	<b>183.1</b>	162.9
<b>Returns on investments and servicing of finance</b>			
Interest received		3.7	8.1
Interest paid		(90.9)	(96.0)
Fair value adjustment net of bond premium		(2.0)	-
<b>Net cash flow from returns on investment and servicing activities</b>		<b>(89.2)</b>	(87.9)
<b>Taxation paid</b>			
Corporation tax paid		(0.7)	(0.5)
<b>Capital expenditure</b>			
Purchase and construction of housing properties		(182.9)	(126.8)
Social Housing Grants received		19.8	16.6
Sale of housing properties		26.1	24.1
Purchase of other fixed assets		(4.7)	(8.0)
<b>Net cash flow from capital expenditure</b>		<b>(141.7)</b>	(94.1)
<b>Acquisitions and disposals</b>			
Minority interest		(0.3)	(1.8)
Acquisition of subsidiaries		-	(2.1)
<b>Net cash flow from acquisitions and disposals</b>		<b>(0.3)</b>	(3.9)
<b>Cash outflow before management of liquid resources and financing</b>		<b>(48.8)</b>	(23.5)
<b>Management of liquid resources</b>			
Cash paid into money market deposit accounts	27, 28	(135.0)	(13.7)
Net sale of listed investments		-	4.9
		<b>(135.0)</b>	(8.8)
<b>Financing</b>			
Housing loans received net of payments	27, 28	197.6	30.8
		<b>197.6</b>	30.8
<b>Increase/(Decrease) in cash</b>	28	<b>13.8</b>	(1.5)

\*2013/14 interest receivable and payable have been reanalysed for comparability as per note 8.

The notes on pages 80 to 128 form part of these financial statements.

# Notes to the financial statements

for the year ended 31 March 2015

## 1. Legal status

The Association is incorporated under the Co-operative and Community Benefit Societies Act 2014 and is registered with the Homes and Communities Agency as a registered provider of social housing.

## 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: Accounting by 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.

A summary of the more important accounting policies, which have been consistently applied, are set out below:

### Basis of accounting

The financial statements have been prepared under the historical cost convention, on an accruals basis.

### Basis of consolidation

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

### 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:

- a. 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
- b. 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.

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

#### Policy

Turnover represents gross rental income receivable during the period net of voids, service charges receivable, fees, management fees, direct works income, supporting people income, first tranche sales of shared ownership, revenue grants and other sundry sources. All income is recognised on an accruals basis. A further description of the accounting for first tranche sales can be found in note 11.

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.

#### Group – continuing activities

	2015				2014	
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m	Turnover £m	Operating surplus/ (deficit) £m
<b>Social housing lettings</b>	<b>326.0</b>	<b>–</b>	<b>(233.1)</b>	<b>92.9</b>	323.0	106.0
<b>Other social housing activities</b>						
Supporting people contract	10.6	–	(11.4)	(0.8)	8.6	(0.9)
Management services	0.4	–	0.3	0.7	1.8	0.6
Community regeneration	0.2	–	(1.4)	(1.2)	0.5	(3.4)
First tranche sales	14.6	(11.7)	–	2.9	45	1.2
Intermediate rents	7.0	–	(1.7)	5.3	1.0	0.5
Development services	0.1	–	–	0.1	–	–
Other activities	9.9	(4.2)	(12.6)	(6.9)	1.3	0.2
	<b>42.8</b>	<b>(15.9)</b>	<b>(26.8)</b>	<b>0.1</b>	17.7	(1.8)
<b>Non-social housing activities</b>						
Lettings	12.9	–	(4.8)	8.1	13.8	7.7
Other non-social housing activities	30.1	(22.4)	(3.0)	4.7	8.2	(1.8)
	<b>411.8</b>	<b>(38.3)</b>	<b>(267.7)</b>	<b>105.8</b>	362.7	110.1

#### Association – continuing activities

	2015				2014	
	Turnover £m	Cost of sales £m	Operating costs £m	Operating surplus/ (deficit) £m	Turnover £m	Operating surplus/ (deficit) £m
<b>Other social housing activities</b>	<b>106.1</b>	<b>–</b>	<b>(107.3)</b>	<b>(1.2)</b>	75.2	(1.1)

# Notes to the financial statements

continued

## 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	2015 Total £m	2014 Total £m*
Rent receivable net of service charges	267.1	23.9	0.6	12.6	0.1	<b>304.3</b>	300.9
Service charges receivable	12.4	6.8	0.1	3.3	4.6	<b>27.2</b>	27.1
<b>Gross rents receivable</b>	<b>279.5</b>	<b>30.7</b>	<b>0.7</b>	<b>15.9</b>	<b>4.7</b>	<b>331.5</b>	328.0
Less: Rent losses from voids	(3.8)	(1.7)	(0.1)	(0.1)	-	<b>(5.7)</b>	(5.9)
<b>Net rents receivable</b>	<b>275.7</b>	<b>29.0</b>	<b>0.6</b>	<b>15.8</b>	<b>4.7</b>	<b>325.8</b>	322.1
Other revenue grants/income	0.2	-	-	-	-	<b>0.2</b>	0.9
<b>Turnover from social housing lettings</b>	<b>275.9</b>	<b>29.0</b>	<b>0.6</b>	<b>15.8</b>	<b>4.7</b>	<b>326.0</b>	323.0
Management	(85.7)	(6.4)	(0.1)	(6.2)	(1.5)	<b>(99.9)</b>	(90.8)
Service charge expenditure	(16.5)	(4.8)	-	(1.8)	(1.9)	<b>(25.0)</b>	(25.4)
Routine maintenance	(32.8)	(4.2)	(0.1)	(0.8)	(0.4)	<b>(38.3)</b>	(40.3)
Planned maintenance	(23.0)	(1.4)	-	-	(0.1)	<b>(24.5)</b>	(16.5)
Bad debts	(0.9)	0.4	-	-	-	<b>(0.5)</b>	(2.7)
Property lease charges	-	-	-	-	-	<b>-</b>	(0.3)
Depreciation of housing properties and components written off	(43.1)	(0.7)	-	-	-	<b>(43.8)</b>	(41.1)
Impairment reversal of housing properties	-	-	-	-	-	<b>-</b>	0.1
Other costs	(0.5)	(0.6)	-	-	-	<b>(1.1)</b>	-
<b>Operating costs on social housing lettings</b>	<b>(202.5)</b>	<b>(17.7)</b>	<b>(0.2)</b>	<b>(8.8)</b>	<b>(3.9)</b>	<b>(233.1)</b>	(217.0)
<b>Operating surplus on social housing lettings</b>	<b>73.4</b>	<b>11.3</b>	<b>0.4</b>	<b>7.0</b>	<b>0.8</b>	<b>92.9</b>	106.0
<b>As a percentage of total operating surplus on social housing letting</b>	<b>79.0%</b>	<b>12.2%</b>	<b>0.4%</b>	<b>7.5%</b>	<b>0.9%</b>	<b>100.0%</b>	100.0%

The following ratios have been calculated to assist with clarity:

	2015 £	2014 £*
Operating cost per social housing unit (general needs only)	<b>4,411</b>	3,626
Maintenance spend per average number of social housing units owned	<b>2,093</b>	1,568
Management spend per average number of social housing units owned	<b>1,613</b>	1,470
Services spend per average number of social housing units owned	<b>404</b>	411
Overheads as a percentage of income	<b>20.3%</b>	14.0%

\*Management costs for 2014 have been reanalysed, and operating cost per social housing unit corrected to show general needs spend per general needs unit.

#### 4. Accommodation in management and development

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

	2015 No.	2014 No.
<b>Social housing</b>		
Social rent	41,881	43,614
Affordable rent	4,068	2,253
General needs housing	45,949	45,867
Supported housing and housing for older people	5,358	5,149
Low-cost ownership	4,192	4,967
Intermediate rent	764	786
Social leased	5,863	4,820
Staff accommodation	71	54
Total social housing owned	62,197	61,643
<b>Non-social housing</b>		
Market rent and similar	1,831	1,902
Garages	7,065	7,449
Other non-social	81	85
Non-social leased	699	708
Total non-social housing owned	9,676	10,144
<b>Total housing owned</b>	<b>71,873</b>	<b>71,787</b>
Accommodation managed on behalf of others (social and non-social)	34	11
Stock owned but not managed (social and non-social)	(858)	(1,320)
<b>Total housing managed</b>	<b>71,049</b>	<b>70,478</b>
<b>Accommodation in development at the year end</b>	<b>955</b>	<b>1,969</b>

Note: market rent and similar properties includes 1,023 properties (2014: 1,023) owned by Landericus.

Properties owned by Leamington Waterfront LLP are shown as properties under construction and properties owned by Your Lifespace Limited are shown as completed properties in stock and properties under construction (note 14).

# Notes to the financial statements

continued

## 5. Operating surplus

This is arrived at after (crediting)/charging:

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Depreciation of housing properties	42.3	39.5	–	–
Impairment of social housing properties	0.1	0.3	–	–
Reversal of impairment of non-social housing stock	(1.3)	(0.4)	–	–
Depreciation of other tangible fixed assets	5.7	5.5	4.9	4.6
Amortisation of goodwill	0.1	0.1	–	–
Impairment of goodwill	1.1	–	–	–
Operating lease rentals	2.2	1.9	1.6	1.9
Current and past service costs, including settlements and curtailments	1.8	2.3	0.5	0.4
Surplus on sale of current assets	(4.8)	–	–	–
Auditor's remuneration (exclusive of VAT):				
– for audit services	0.2	0.2	–	–
– for non-audit services – assurance	–	0.1	–	–

## 6. Surplus on sale of fixed assets – housing properties

	Group	
	2015 £m	2014 £m
Sales proceeds	34.0	30.2
Cost of sales	(20.3)	(15.6)
	13.7	14.6

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

## 7. Interest receivable and other income

	Group		Association	
	2015 £m	2014 £m*	2015 £m	2014 £m
Interest receivable on bank deposits	0.4	4.4	–	–
Other interest earned	1.5	0.2	–	–
Interest receivable from unlisted companies	1.8	3.5	–	–
	3.7	8.1	–	–

\*2013/14 interest receivable and payable have been reanalysed for comparability as per note 8

## 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 are amortised over the period of the loan. The deferred cost is offset against the liability and included within creditors. Loan origination fees, in respect of the refinancing of existing debt where terms are materially changed or extinguished, are written off directly to the income and expenditure account.

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.

Where the Group has incurred a premium or discount on its bond issues, the balance is shown net against the associated bond liability and amortised over its life.

	Group		Association	
	2015 £m	2014 £m*	2015 £m	2014 £m
Interest on loans	20.0	16.7	–	–
Interest on bonds	39.4	39.9	–	–
Loan breakage costs – net	0.2	0.6	–	–
Other interest payable	1.2	2.5	–	–
Interest payable on derivatives	25.8	32.6	–	–
Finance lease finance charges	0.1	0.1	–	–
Interest payable to subsidiaries	–	–	0.3	0.1
	86.7	92.4	0.3	0.1
Interest payable capitalised on housing properties under construction	(5.9)	(5.4)	–	–
	80.8	87.0	0.3	0.1
Capitalisation rate used to determine the finance costs capitalised during the period	4.36%	4.97%	–	–

\* 2013/14 has been reanalysed for comparability in order to correctly eliminate £3.7 million of intercompany interest which had been presented within Group interest receivable and payable. There is no impact to the net surplus for the Group.

# Notes to the financial statements

continued

## 9. Employees

Employee information for staff contractually employed by the Association is disclosed below:

	Group		Association	
	2015 No.	2014 No.	2015 No.	2014 No.*
<b>Average monthly number of employees (full-time equivalent)</b>				
Administration	620	466	568	504
Care	661	632	128	113
Developing or selling housing stock	44	42	40	41
Managing or maintaining housing stock	1,151	1,145	1,018	897
	<b>2,476</b>	2,285	<b>1,754</b>	1,555

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m*
<b>Staff costs:</b>				
Wages and salaries	77.4	69.7	59.4	51.0
Redundancy costs	0.9	1.1	0.9	1.0
Social security costs	7.6	6.8	6.1	5.0
Other pension costs	4.9	5.6	3.3	4.0
	<b>90.8</b>	83.2	<b>69.7</b>	61.0

\*2014 has been restated to reflect those employees who are contractually employed by Circle Anglia Limited but have been paid directly by the individual entities to which these individuals provide services.

Circle Care and Support Limited employs some of its staff directly as do several of the Registered Providers. 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.



## 9. Employees continued

### Board members and Executive Officers

	Appointed/ resigned	2015				Total emolument £
		Salary/fees and expenses £	Performance bonus £	Pension contribution £	Benefits in kind £	
<b>Non-Executive Officers</b>						
Sir Robin Young		28,211	—	—	—	28,211
Simon Braid <sup>(1)</sup>		14,375	—	—	—	14,375
Tania Brisby		12,889	—	—	—	12,889
Jane Clarkson JP		14,819	—	—	—	14,819
Murray Foster		12,157	—	—	—	12,157
Stephen Jacobs OBE		15,697	—	—	—	15,697
Baroness Maggie Jones of Whitchurch <sup>(2)</sup>		14,832	—	—	—	14,832
Brenda Reynolds		15,471	—	—	—	15,471
Brian Stewart OBE		17,170	—	—	—	17,170
		<b>145,621</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>145,621</b>
<b>Executive Officers</b>						
Mark Rogers		237,317	—	63,345	10,980	311,642
Robert Kerse		153,548	—	11,040	7,630	172,218
Steve Woodcock	A 05/02/2015	22,797	—	1,544	—	24,341
Francesco Elia	R 31/05/2014	25,000	—	3,000	—	28,000
Sarah Trota	R 15/10/2014	79,029	—	9,468	4,256	92,753
Deborah Upton		125,202	—	9,712	—	134,914
Sasha Harrison		136,873	—	14,612	8,153	159,638
Mike Ward		124,138	—	25,264	6,508	155,910
		<b>903,904</b>	<b>—</b>	<b>137,985</b>	<b>37,527</b>	<b>1,079,416</b>
		<b>1,049,525</b>	<b>—</b>	<b>137,985</b>	<b>37,527</b>	<b>1,225,037</b>

<sup>(1)</sup> Chair of the Audit and Risk Committee.

<sup>(2)</sup> Chair of the Remuneration and Succession Committee.

During the year, Board members and Executive Officers received total remuneration of £1,488,643 including termination payments of £263,606 (2014: £nil).

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. Expenses paid during the year to the Board members amounted to £9,969 (2014: £9,361).

The emoluments of the highest paid Director, the Chief Executive, excluding pension contributions, were £248,297 (2014: £246,060). Pension contributions paid into a defined contribution scheme on behalf of the Chief Executive were £63,345 (2014: £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.

# Notes to the financial statements continued

## 9. Employees continued Board members and Executive Officers continued

	Appointed/ resigned	2014				Total emolument £
		Basic salary/ fees and expenses £	Performance bonus £	Pension contribution £	Benefits in kind £	
<b>Non-Executive Officers</b>						
Sir Robin Young		27,043	-	-	-	27,043
Simon Braid		13,650	-	-	-	13,650
Tania Brisby		12,362	-	-	-	12,362
Jane Clarkson JP		14,422	-	-	-	14,422
Murray Foster		13,650	-	-	-	13,650
Stephen Jacobs OBE		12,362	-	-	-	12,362
Baroness Maggie Jones of Whitchurch		14,526	-	-	-	14,526
Brenda Reynolds		14,589	-	-	-	14,589
Brian Stewart OBE		12,362	-	-	-	12,362
		134,966	-	-	-	134,966
<b>Executive Officers</b>						
Mark Rogers		211,884	24,047	57,503	10,129	303,563
Robert Kerse	A 07/07/2013	115,404	13,500	6,587	-	135,491
Andy Doyland	R 31/07/2013	55,592	-	9,817	2,355	67,764
Francesco Elia	R 31/05/2014	151,409	4,618	16,000	-	172,027
Sarah Trota		148,421	9,282	17,136	8,388	183,227
Maria Heckel	R 12/04/2013	8,149	-	-	-	8,149
Deborah Upton		115,495	8,400	8,609	-	132,504
Sasha Harrison	A 08/07/2013	88,253	10,400	6,933	7,404	112,990
Mike Ward	A 08/07/2013	83,935	8,400	15,920	7,152	115,407
		978,542	78,647	138,505	35,428	1,231,122
		1,113,508	78,647	138,505	35,428	1,366,088

## 9. Employees continued

### Employee remuneration

The number of staff in the Group receiving remuneration in excess of £60,000 as at 31 March 2015 is shown as follows:

	2015 No.	2014 No.*
£60,000 – £69,999	52	37
£70,000 – £79,999	18	15
£80,000 – £89,999	18	13
£90,000 – £99,999	17	9
£100,000 – £109,999	3	3
£110,000 – £119,999	5	8
£120,000 – £129,999	2	3
£130,000 – £139,999	2	2
£140,000 – £149,999	–	1
£150,000 – £159,999	2	1
£170,000 – £179,999	1	1
£180,000 – £189,999	–	1
£200,000 – £209,999	1	–
£250,000 – £259,999	1	–
£300,000 – £309,999	–	1
£310,000 – £319,999	1	–

\*2014 has been updated to include bonuses and termination pay as remuneration in line with the Accounting Direction for Private Registered Providers of Social Housing 2012.

### 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:

	2015	2014
Ratio of highest to lowest earner	16:1	15:1

# Notes to the financial statements

continued

## 9. Employees continued

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

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

	2015 £	2014 £
Chief Executive	3.30	3.31
Chairman	0.39	0.38

## 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 balance sheet, since it is not intended to reduce significantly the size of housing stock and hence cause a material taxation liability to crystallise.

The tax assessed for the Group for the year is lower (2014: lower) than the result shown in the profit and loss account multiplied by the standard rate of corporation tax in the UK - 21% (2014: 23%). Differences are explained below.

### Tax charge

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Current tax charge for year	–	–	–	–
Adjustment in respect of prior years	0.1	(0.1)	0.1	(0.1)
Total current tax charge	0.1	(0.1)	0.1	(0.1)
<b>Deferred tax</b>				
Deferred tax on pension charge	0.5	0.7	0.4	0.5
Net origination and reversal of timing differences (excluding pension)	(3.4)	–	(0.7)	–
Total deferred tax (credit)/charge	(2.9)	0.7	(0.3)	0.5
Total tax (credit)/charge	(2.8)	0.6	(0.2)	0.4

## 10. Tax on surplus on ordinary activities continued

### Current year tax reconciliation

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Surplus/(deficit) on ordinary activities before taxation	42.7	45.1	(1.6)	(1.6)
UK corporation tax rate at 21% (2014: 23%)	9.0	10.4	(0.3)	(0.4)
Timing differences on exceptional pension credits	–	–	–	–
Surpluses of charitable entities not subject to corporation tax	(8.6)	(13.5)	–	–
Depreciation in excess of capital allowances	0.1	0.3	0.1	0.3
Other non-deductible expenditure, net of allowable capital costs	–	–	–	–
Gift Aid timing differences	0.5	0.1	0.4	0.1
Other timing differences	(0.5)	–	(0.4)	–
Losses carried forward	0.4	2.8	0.2	–
Utilisation of losses	(0.9)	(0.1)	–	–
Adjustments in respect of prior years	0.1	(0.1)	0.1	(0.1)
Total current tax charge	0.1	(0.1)	0.1	(0.1)

A reduction in the UK corporation tax rate from 23% 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 Association'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 to bringing the properties into their intended use.

#### Depreciation

Freehold land is not depreciated. Depreciation is charged so as to write down the value of completed 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.

# Notes to the financial statements continued

## 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 economic 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 (ex-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.

#### Reversal of past impairments

If, after an impairment loss has been recognised, the recoverable amount of a tangible fixed asset or investment increases because of a change in economic conditions or in the expected use of the asset, the resulting reversal of the impairment loss is recognised in the current period to the extent that it increases the carrying amount of the fixed asset up to the amount that it would have been had the original impairment not occurred.

## 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 SHG, the cost of those developments has been reduced by an amount of the grant receivable.

Although SHG is treated as a 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.

Other 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.

##### Recycled Capital Grant Fund

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 unless approval is obtained for a time extension or a waiver is received. Any unused recycled grant held within the fund, and which is not anticipated to 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.

# Notes to the financial statements

continued

## 11. Tangible fixed assets continued Housing properties continued

	Completed properties		Under construction		Total £m
	Housing properties held for letting £m	Shared ownership housing properties £m	Housing properties held for letting £m	Shared ownership housing properties £m	
<b>Cost</b>					
As at 1 April 2014	3,315.4	350.9	87.1	22.6	<b>3,776.0</b>
Additions:					
- New schemes	-	-	4.6	4.1	<b>8.7</b>
- Existing properties/schemes	66.8	-	86.2	21.7	<b>174.7</b>
Acquisition from third party	5.4	-	-	-	<b>5.4</b>
Components written off	(2.2)	-	-	-	<b>(2.2)</b>
Capitalised interest	-	-	3.5	1.0	<b>4.5</b>
Schemes completed in the year	76.5	19.8	(76.5)	(19.8)	<b>-</b>
Disposals	(5.2)	(11.3)	-	-	<b>(16.5)</b>
Reclassification between tenures	-	-	0.9	(0.9)	<b>-</b>
Impairment charge	(0.1)	-	-	-	<b>(0.1)</b>
<b>As at 31 March 2015</b>	<b>3,456.6</b>	<b>359.4</b>	<b>105.8</b>	<b>28.7</b>	<b>3,950.5</b>
<b>Social Housing Grant</b>					
As at 1 April 2014	(1,241.8)	(108.4)	(37.2)	(6.1)	<b>(1,393.5)</b>
Additions:					
- Existing properties/schemes	0.1	-	(15.8)	(3.0)	<b>(18.7)</b>
Acquisition from third party	(1.1)	-	-	-	<b>(1.1)</b>
Schemes completed in the year	(13.8)	(4.2)	13.8	4.2	<b>-</b>
Disposals	1.7	2.1	-	-	<b>3.8</b>
Reclassification between tenures	-	-	0.5	(0.5)	<b>-</b>
<b>As at 31 March 2015</b>	<b>(1,254.9)</b>	<b>(110.5)</b>	<b>(38.7)</b>	<b>(5.4)</b>	<b>(1,409.5)</b>
<b>Depreciation</b>					
As at 1 April 2014	(228.4)	(2.1)	-	-	<b>(230.5)</b>
Charge for the year	(42.3)	-	-	-	<b>(42.3)</b>
Components written off	0.7	-	-	-	<b>0.7</b>
Disposals	0.3	-	-	-	<b>0.3</b>
<b>As at 31 March 2015</b>	<b>(269.7)</b>	<b>(2.1)</b>	<b>-</b>	<b>-</b>	<b>(271.8)</b>
<b>Net book value</b>					
<b>As at 31 March 2015</b>	<b>1,932.0</b>	<b>246.8</b>	<b>67.1</b>	<b>23.3</b>	<b>2,269.2</b>
As at 31 March 2014	1,845.2	240.4	49.9	16.5	<b>2,152.0</b>

Depreciation for the year on assets held under finance leases was £nil (2014: £nil).



**11. Tangible fixed assets** continued**Housing properties** continued**Works to existing properties**

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

	2015 £m	2014, £m*
Capitalised in fixed assets	66.8	40.1
Expensed in the income and expenditure account:		
– Routine maintenance	38.3	40.3
– Planned maintenance	24.5	16.5
	<b>129.6</b>	96.9

\*2014 has been reanalysed to more appropriately present the split of operating costs between management, service charge expenditure, routine maintenance and planned maintenance.

The Group's housing properties were valued as at 31 March 2015 by Savills UK Limited (Savills), an independent firm of Chartered Surveyors. A desktop revaluation was undertaken, with Savills reviewing:

- all stock numbers
- average social rents and average affordable rents
- expenditure profiles.

In determining these valuations, Savills made use of discounted cash flow methodology and the following assumptions were made:

Future rent increases    Consumer Price Index plus 1% long term

Real discount rates    5.0% – 6.75%

Valuations EUV-SH    £3,290,069,000

The valuation of £3,290,069,000 has been made in accordance with the current edition of the RICS Red Book.

Included in the total net book value of £2,269.2 million is £0.5 million (2014: £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

## 11. Tangible fixed assets *continued*

### Other tangible fixed assets

Group	Leasehold/ freehold offices £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
<b>Cost</b>				
As at 1 April 2014	75.9	15.4	37.4	<b>128.7</b>
Additions	-	2.7	8.7	<b>11.4</b>
Foreign exchange loss	(6.7)	-	-	<b>(6.7)</b>
<b>As at 31 March 2015</b>	<b>69.2</b>	<b>18.1</b>	<b>46.1</b>	<b>133.4</b>
<b>Depreciation</b>				
As at 1 April 2014	(5.5)	(13.2)	(27.7)	<b>(46.4)</b>
Charge for the year	(0.5)	(0.8)	(4.4)	<b>(5.7)</b>
<b>As at 31 March 2015</b>	<b>(6.0)</b>	<b>(14.0)</b>	<b>(32.1)</b>	<b>(52.1)</b>
<b>Net book value</b>				
<b>As at 31 March 2015</b>	<b>63.2</b>	<b>4.1</b>	<b>14.0</b>	<b>81.3</b>
As at 31 March 2014	70.4	2.2	9.7	<b>82.3</b>

**11. Tangible fixed assets** continued  
**Other tangible fixed assets** continued

Association	Leasehold/ freehold offices £m	Furniture, fixtures and fittings £m	Computer equipment £m	Total £m
<b>Cost</b>				
As at 1 April 2014	2.7	5.7	24.7	<b>33.1</b>
Additions	–	2.7	8.4	<b>11.1</b>
<b>As at 31 March 2015</b>	<b>2.7</b>	<b>8.4</b>	<b>33.1</b>	<b>44.2</b>
<b>Depreciation</b>				
As at 1 April 2014	(0.3)	(4.2)	(15.1)	<b>(19.6)</b>
Charge for the year	(0.3)	(0.5)	(4.1)	<b>(4.9)</b>
<b>As at 31 March 2015</b>	<b>(0.6)</b>	<b>(4.7)</b>	<b>(19.2)</b>	<b>(24.5)</b>
<b>Net book value</b>				
<b>As at 31 March 2015</b>	<b>2.1</b>	<b>3.7</b>	<b>13.9</b>	<b>19.7</b>
As at 31 March 2014	2.4	1.5	9.6	<b>13.5</b>

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis over the expected useful 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%
Motor vehicles	20%

In line with previous years, the other tangible fixed assets include the historical costs of the Landericus subsidiary's stock.

# Notes to the financial statements

continued

## 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.

On acquisition, an assessment is made of the useful life of goodwill. Where this is deemed limited, the goodwill is amortised over that life. Goodwill with an indefinite useful economic life is not amortised in order to provide a true and fair view. 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.

	2015 £m	2014 £m
As at 1 April 2014	9.1	7.1
Arising in the year	–	2.1
Amortisation in the year	(0.1)	(0.1)
Impairment	(1.1)	–
<b>As at 31 March 2015</b>	<b>7.9</b>	9.1

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 Limited and its subsidiaries became full subsidiaries of the Group, generating £2.1 million of goodwill. The goodwill is being amortised over a life of 20 years. The Care and Support Subsidiary Board has considered the value of the investment and has determined that an impairment is necessary on the basis of market evidence. An impairment of £1.1 million has therefore been included in the results for the year.

### 13. Investments

	Registered with			
	Financial Conduct Authority	Companies House	Charity Commission	Homes and Communities Agency
<b>Circle Anglia Limited is the parent company of:</b>				
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	-	✓	-	-
<b>Circle Thirty Three Housing Trust Limited is the parent company of*:</b>				
Your Lifespace Limited	-	✓	-	-
Thackeray Mews Limited	-	✓	-	-
<b>Your Lifespace Limited is the parent company of:</b>				
Landericus Limited**	-	✓	-	-
<b>Mercian Housing Association Limited is the parent company of:</b>				
Zenith Development Partnership Limited	-	✓	-	-
<b>Old Ford Housing Association is the parent company of:</b>				
Old Ford Homes Limited	-	✓	-	-
<b>Merton Priory Homes is the parent company of:</b>				
Merton Developments Limited	-	✓	-	-

\*On 20 May 2015 Circle Thirty Three Housing Trust Limited sold its shareholding in Your Lifespace Limited to Circle Anglia Limited for £1.

\*\*Landericus Limited (incorporated in Guernsey) is the parent company of Landericus Holding Limited S.a.r.l (incorporated in Luxembourg), which is the parent company of Landericus Property Alpha S.a.r.l, Landericus Property Beta S.a.r.l, Landericus Property Gamma S.a.r.l, Landericus Property Delta S.a.r.l, Landericus Property Epsilon S.a.r.l and Landericus Property Zeta S.a.r.l, all incorporated in Luxembourg.

# Notes to the financial statements

continued

	Registered with			
	Financial Conduct Authority	Companies House	Charity Commission	Homes and Communities Agency
<b>Circle Anglia Foundation Limited is the parent company of:</b>				
Circle Living Limited	-	✓	-	-
Circle Housing Asset Design Limited	-	✓	-	-
<b>Circle Living Limited is the parent company of:</b>				
Anglia Maintenance Services Limited	-	✓	-	-
<b>Circle Care and Support Limited is the parent company of:</b>				
Invicta Telecare Limited	-	✓	-	-
Prime Care Holdings Limited***	-	✓	-	-
<b>Your Lifespace Limited and Circle Anglia Limited are members of:</b>				
Leamington Waterfront LLP****	-	✓	-	-
<b>Your Lifespace is a 50% member of:</b>				
Circle Hill LLP	-	✓	-	-

\*\*\*Prime Care Holdings Limited is the parent company of Prime Care Community Projects Limited which is the parent company of Prime Care Community Services Limited and Purple Care Franchising Limited.

\*\*\*\*There are no other members of this partnership.

All of the companies in the table above are 100% owned by the named parent except Thackeray Mews Limited (62% ownership) and Landericus Limited (93.68% ownership). All are incorporated in England and Wales with the exception of the Landericus entities as detailed above.

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

	Operating surplus/ (deficit)		Total assets less current liabilities	
	2015 £m	2014 £m	2015 £m	2014 £m
Anglia Maintenance Services Limited	(0.1)	0.2	(0.2)	0.2
Circle Anglia Foundation Limited	0.7	-	2.2	1.5
Circle Anglia Treasury Limited	0.1	-	1,888.2	1,746.6
Circle Anglia Social Housing Plc	-	-	659.1	660.1
Circle Living Limited	0.6	0.7	2.4	1.0
Circle Thirty Three Housing Trust Limited	30.8	26.6	818.9	765.8
Circle Care and Support Limited	(0.9)	3.4	4.8	5.7
Your Lifespace Limited	5.1	(0.8)	78.7	(20.2)
Old Ford Homes Limited	-	-	0.4	0.4
Old Ford Housing Association	6.6	3.9	182.4	173.5
South Anglia Housing Limited	12.4	13.8	311.0	297.0
Wherry Housing Association Limited	10.3	11.1	273.5	261.3
Mole Valley Housing Association	6.9	6.1	135.3	110.1
Roddons Housing Association	6.4	5.0	123.8	102.6
Russet Homes Limited	16.9	19.4	221.1	202.6
Invicta Telecare Limited	-	0.2	1.5	1.5
Thackeray Mews Limited	-	-	-	-
Landericus Limited	1.1	0.6	48.8	47.9
Mercian Housing Association Limited	3.1	3.6	106.1	79.3
Zenith Developments Limited	-	-	0.1	0.1
Merton Priory Homes	11.8	11.7	206.1	202.6
Leamington Waterfront LLP	1.3	0.2	15.3	13.9
Prime Care Holdings Limited	-	(0.2)	5.0	4.6
Prime Community Services Limited	(0.2)	(0.1)	0.4	0.3
Purple Care Franchising Limited	-	-	(0.6)	(0.6)
	<b>112.9</b>	105.4	<b>5,084.3</b>	4,657.8

# Notes to the financial statements continued

## 13. Investments continued Investments – listed and unlisted

Included in investments are:

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Cost of shares in Circle Anglia Social Housing Plc	–	–	0.1	0.1
Investment in Circle Hill joint venture	1.7	–	–	–
Cost of acquiring Mercian Housing Association	–	–	0.8	0.8
Collateral deposits	0.7	0.6	–	–
Other investments	0.1	0.2	–	–
	<b>2.5</b>	0.8	<b>0.9</b>	0.9

Collateral deposits relate to security under the UK Rents (No.1) Plc scheme. Through this scheme, The Housing Finance Corporation (THFC) has issued a bond to the external financial markets, the funds from which have been onlent to six Registered Providers, including Mercian Housing Association. This loan is secured against prepaid rent from each association and a cash reserve of 2% of the loan value. Mercian receives interest from THFC on these collateral deposits at a variable rate each quarter.

Other investments include a long-term loan of £10,000 and a fixed bond valued at £47,000.

### Joint ventures

#### Policy

The Group has entered into a joint venture which is accounted for using the gross equity method. As a result, the Group's share of the gross assets and liabilities are shown on the face of the balance sheet and the Group's share of turnover and profit on the face of the income and expenditure account, where this is significant, in line with FRS9.

Circle Hill LLP was incorporated on 18 December 2014 under the Limited Liability Partnerships Act 2000. Your Lifespace Limited is a 50% member of this partnership which confers joint control of the LLP. In accordance with FRS9, this entity has been accounted for as a joint venture.

The principal activity of Circle Hill LLP is property development. The LLP's accounting reference date is 31 December and its first financial statements will be for the period ending 31 December 2015.

Your Lifespace Limited has provided additional funding to Circle Hill LLP in the form of a loan; as at the year end the balance outstanding was £10.2 million. £5.0 million of this balance is included in debtors: amounts falling due after more than one year (the remainder has been eliminated against the Circle Hill creditor following consolidation of the Group's 50% share of the joint venture's net assets).



#### 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.

	2015 £m	2014 £m
Completed properties	40.7	53.9
Properties under construction	15.2	15.3
	<b>55.9</b>	69.2

Stock of housing properties comprises acquisition and development expenditure on first tranche shared ownership properties. Capitalised development interest charged to stock during the year is £1,390,000 (2014: £2,645,769).

# Notes to the financial statements

continued

## 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	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Due after more than one year</b>				
Loans to joint venture	5.1	-	-	-
Stock transfer - future works (note 20)	143.1	163.4	-	-
Deferred tax asset (note 23)	3.5	-	0.7	-
	<b>151.7</b>	163.4	<b>0.7</b>	-
<b>Due within one year</b>				
Rent and service charges receivable	26.5	24.9	-	-
Less: Provision for bad and doubtful debts	(9.8)	(10.3)	-	-
	<b>16.7</b>	14.6	-	-
Amount due from subsidiaries	-	-	1.0	7.6
Social Housing Grant receivable	-	3.9	-	-
Stock transfer - future works (note 20)	35.3	45.6	-	-
Other debtors	10.5	13.0	1.8	3.2
Prepayments and accrued income	8.3	6.6	3.6	3.7
Deferred taxation (note 23)	-	0.1	-	-
	<b>54.1</b>	69.2	<b>6.4</b>	14.5
<b>Total debtors within one year</b>	<b>70.8</b>	83.8	<b>6.4</b>	14.5

## 16. Current asset investments

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Deposits – collateral	18.2	0.7	–	–
Money market deposits	134.9	17.4	–	–
	<b>153.1</b>	18.1	–	–

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.

## 17. Creditors: Amounts falling due within one year

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Bank overdraft (note 21)	10.3	10.3	–	–
Bank loans and borrowings (note 21)	10.2	13.5	–	–
	<b>20.5</b>	23.8	–	–
Trade creditors	15.7	10.0	1.7	1.4
Capital creditors	7.0	10.6	–	–
Rent and service charge received in advance	10.1	8.3	–	–
Amount owed to Group undertakings	–	–	15.6	11.5
Recycled Capital Grant Fund (note 19)	3.0	2.6	–	–
Disposal Proceeds Fund (note 19)	0.5	1.4	–	–
Corporation tax	–	0.1	–	–
Other taxation and social security	2.1	3.8	1.9	3.6
Other creditors	11.0	5.4	0.9	0.8
Stock transfer – future works (note 20)	35.3	45.6	–	–
Accruals and deferred income	80.7	62.2	4.1	4.3
	<b>165.4</b>	150.0	<b>24.2</b>	21.6
	<b>185.9</b>	173.8	<b>24.2</b>	21.6

# Notes to the financial statements

continued

## 18. Creditors: Amounts falling due after more than one year

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Bank loans and borrowings (note 21)	<b>1,973.8</b>	1,774.9	–	–
Obligations under finance leases (note 21)	<b>1.2</b>	1.2	–	–
	<b>1,975.0</b>	1,776.1	–	–
Recycled Capital Grant Fund (note 19)	<b>5.3</b>	4.2	–	–
Disposal Proceeds Fund (note 19)	<b>2.4</b>	2.0	–	–
Amount owed to Group undertakings	–	–	<b>12.2</b>	13.5
Other creditors	<b>1.5</b>	2.2	–	–
Financial deferred income (note 22)	<b>0.7</b>	0.7	–	–
Stock transfer – future works (note 20)	<b>143.1</b>	163.4	–	–
	<b>153.0</b>	172.5	<b>12.2</b>	13.5
	<b>2,128.0</b>	1,948.6	<b>12.2</b>	13.5

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

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.

## 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 an 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 DPF. 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.

	RCGF £m	DPF £m
As at 1 April 2014	6.8	3.4
Movements		
- Grants recycled	3.3	1.4
- Interest accrued	-	-
- New build	(1.8)	(1.9)
<b>As at 31 March 2015</b>	<b>8.3</b>	<b>2.9</b>
Amount due for repayment to the GLA		
Within one year	3.0	0.5
Within two to three years	5.3	2.4

## 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 accounts on a gross basis. The obligation to the local authorities is shown in 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 relates 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 after more than one year.

# Notes to the financial statements

continued

## 21. Debt analysis

### Loans and other financial instruments

Loans and other financial instruments are stated in the balance sheet at the amount of the gross proceeds less the initial cost of raising the finance. Where loans and other financial instruments are redeemed during the year, a redemption penalty is recognised in the profit and loss account of the year in which the redemption takes place. Financial liabilities are recognised when the Group becomes party to the contractual provisions of the financial instrument.

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

	Group	
	2015 £m	2014 £m
<b>Due within one year</b>		
Bank overdraft	10.3	10.3
Bank loans	10.2	13.5
	<b>20.5</b>	23.8
<b>Due after more than one year</b>		
Bank loans	1,314.8	1,164.7
Bonds	659.0	610.2
Obligations under finance leases	1.2	1.2
	<b>1,975.0</b>	1,776.1
	<b>1,995.5</b>	1,799.9

	Group	
	2015 £m	2014 £m
<b>Debt is repayable as follows:</b>		
Within one year	20.0	23.1
Between one and two years	8.2	9.4
Between two and five years	59.3	46.6
After five years	1,908.0	1,720.8
	<b>1,995.5</b>	1,799.9

Included within the debt are fair value amounts of £9.8 million (2014: £10.6 million) relating to the acquisition of Mercian Housing Association and £17.9 million (2014: £18.7 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. The fair value is amortised over the life of the loans. £1.5 million of fair value has been released this year, including £0.2 million as a result of repayment of the Mercian EIB loan.

## 21. Debt analysis continued

### Loans and other financial instruments continued

Also included within debt are net bond premium of £42.3 million (of which £18.3 million (2014: £8.8 million) has been generated through the Group's sale of £87.2 million of retained bonds), interest of £0.5 million (2014: £0.5 million) on the finance lease, overdrawn amounts of £10.3 million (2014: £10.3 million) and loan arrangement costs of £9.3 million.

Of the remaining balance, £1,924.2 million (2014: £1,787.7 million) relates to loans drawn from committed facilities of £2,294.3 million (2014: £2,307.5 million). £635.0 million (2014: £635.0 million) is represented by the bond issue through Circle Anglia Social Housing Plc of which £50.0 million was retained by the Group at the start of the year. The retained bond was sold on 20 October 2014 generating cash proceeds of £59.6 million and a net profit of £9.8 million which is treated as bond premium in the Group accounts.

The Group's treasury vehicle, Circle Anglia Treasury Limited, directly funds the borrowing requirements of the charitable Registered Providers within the Group. However, £14.7 million (2014: £17.1 million) of facilities still reside within the charitable Registered Providers (£0.7 million (2014: £0.7 million) finance lease in Wherry Housing Association, £1.3 million (2014: £1.5 million) in historical bonds and loans in Circle 33 Housing Trust, £12.7 million (2014: £14.9 million) in Mercian Housing Association). Furthermore, £30.9 million relates to mortgages within the Landericus Group (2014: £36.3 million) which are secured against its stock.

The Group's facilities 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.

Around 94% of the Group's portfolio is fixed either directly or as a result of interest rate swaps which convert the variable rate of interest to a fixed rate. This minimises the Group's exposure to fluctuating variable interest rates.

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	-	-	2.2	197.8	<b>200.0</b>
Term	6.3	4.8	46.6	1,016.8	<b>1,074.5</b>
Bond	-	-	-	635.0	<b>635.0</b>
Other	0.8	0.8	2.8	9.6	<b>14.0</b>
Finance lease	-	-	-	0.7	<b>0.7</b>
	7.1	5.6	51.6	1,859.9	<b>1,924.2</b>
Unamortised arrangement fees	(0.4)	(0.4)	(1.2)	(7.2)	<b>(9.2)</b>
<b>As at 31 March 2015</b>	<b>6.7</b>	<b>5.2</b>	<b>50.4</b>	<b>1,852.7</b>	<b>1,915.0</b>
As at 31 March 2014	12.3	6.7	38.6	1,720.5	<b>1,778.1</b>

# Notes to the financial statements continued

## 21. Debt analysis continued

### Maturity of debt continued

	Funding group			Non-funding group			Group total £m
	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	
Revolver	–	200.0	<b>200.0</b>	–	–	–	<b>200.0</b>
Term	5.8	1,037.8	<b>1,043.6</b>	0.5	30.4	<b>30.9</b>	<b>1,074.5</b>
Bond	–	635.0	<b>635.0</b>	–	–	–	<b>635.0</b>
Other	0.8	13.2	<b>14.0</b>	–	–	–	<b>14.0</b>
Finance lease	–	0.7	<b>0.7</b>	–	–	–	<b>0.7</b>
Unamortised arrangement fees	6.6 (0.4)	1,886.7 (8.8)	<b>1,893.3</b> <b>(9.2)</b>	0.5 –	30.4 –	<b>30.9</b> <b>–</b>	<b>1,924.2</b> <b>(9.2)</b>
<b>As at 31 March 2015</b>	<b>6.2</b>	<b>1,877.9</b>	<b>1,884.1</b>	<b>0.5</b>	<b>30.4</b>	<b>30.9</b>	<b>1,915.0</b>
As at 31 March 2014	4.2	1,737.7	<b>1,741.9</b>	8.1	28.1	<b>36.2</b>	<b>1,778.1</b>

### 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	–	–	5.2	419.8	<b>425.0</b>
Term	6.8	5.1	93.1	1,123.0	<b>1,228.0</b>
Bond	–	–	–	635.0	<b>635.0</b>
Other	0.4	0.4	1.6	3.2	<b>5.6</b>
Finance lease	–	–	–	0.7	<b>0.7</b>
<b>As at 31 March 2015</b>	<b>7.2</b>	<b>5.5</b>	<b>99.9</b>	<b>2,181.7</b>	<b>2,294.3</b>
As at 31 March 2014	4.6	6.7	50.2	2,210.2	<b>2,271.7</b>



## 21. Debt analysis continued

### Interest rate analysis

Group	Total £m	Floating rate £m	Fixed rate £m	Fixed interest rate %	Time fixed rate debt Years
Revolver	200.0	112.1	87.9	3.7	11
Term	1,074.5	–	1,074.5	4.0	12
Bond	635.0	–	635.0	6.4	26
Other	14.0	4.3	9.7	7.9	10
Finance lease	0.7	–	0.7	12.2	12
<b>As at 31 March 2015</b>	<b>1,924.2</b>	<b>116.4</b>	<b>1,807.8</b>	<b>4.9</b>	<b>17</b>
As at 31 March 2014	1,787.3	214.8	1,572.5	5.3	20
Cash	–	–	–	–	–
Deposits	(134.9)	(134.9)	–	11.5	419
Collateral deposits	(18.9)	(18.9)	–	–	–
Cash and deposits	(153.8)	(153.8)	–	11.5	419
<b>Net borrowings as at 31 March 2015</b>	<b>1,770.4</b>	<b>(37.4)</b>	<b>1,807.8</b>	<b>4.8</b>	<b>17</b>

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.

### Currency and interest rate analysis of debt

Group	Total £m	Floating rate £m	Fixed rate £m	Fixed interest rate %	Time fixed rate debt Years
Sterling	1,878.9	103.4	1,775.5	4.4	17
Euro	45.3	13.0	32.3	4.2	5
<b>As at 31 March 2015</b>	<b>1,924.2</b>	<b>116.4</b>	<b>1,807.8</b>	<b>4.9</b>	<b>17</b>
As at 31 March 2014	1,787.3	214.8	1,572.5	4.9	20

The above tables take account of interest rate swaps, forward rate agreements and embedded fixes, which hedged the variable debt as at 31 March 2015 for an average of 17 years (2014: 15 years).

# Notes to the financial statements continued

## 21. Debt analysis continued

### Group derivative transactions

As at 31 March 2015 the following financial derivative contracts were in place:

Standalone swaps			2015			2014
	Active	Forward starting	£m	Active	Forward starting	£m
			<b>Total</b>			<b>Total</b>
<b>Notional</b>						
Interest rate caps	3.6	–	<b>3.6</b>	117.9	–	117.9
Interest rate swaps – pay fixed	980.2	335.5	<b>1,315.7</b>	762.1	65.0	827.1
Interest rate swaps – receive fixed	–	25.0	<b>25.0</b>	(25.0)	(25.0)	(50.0)
<b>Fair value</b>						
Interest rate caps	(0.1)	–	<b>(0.1)</b>	(0.2)	–	(0.2)
Interest rate swaps – pay fixed	(243.8)	(18.3)	<b>(262.1)</b>	(107.4)	(10.2)	(117.6)
Interest rate swaps – receive fixed	–	12.6	<b>12.6</b>	1.0	4.7	5.7
Net	(243.9)	(5.7)	<b>(249.6)</b>	(106.6)	(5.5)	(112.1)

### Interest rate caps

These are interest rate derivatives where the Group is compensated if the interest rate exceeds a given interest rate. The outstanding cap is amortising in line with the underlying debt.

### Interest rate swaps

These are swaps to pay or receive fixed rate for a fixed period. Of the total, £53.2 million (2014: £53.5 million) is amortising in line with underlying debt.

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

### Security

All derivatives, except for one interest rate cap (2014: two) of £3.6 million (2014: £11.4 million) notional in the Landericus group of companies, are traded under International Swaps and Derivatives Association (ISDA) agreements held by Circle Anglia Treasury Limited. Under the Credit Support Annex (CSA) of the ISDAs the Group is required to collateralise any negative fair value positions of the standalone derivatives in excess of the thresholds. Under the CSAs the counterparties will accept a mix of property security or cash. The aggregate threshold is £34.0 million (2014: £32.0 million) and property security of £212.0 million (2014: £200.0 million) and cash collateral of £16.0 million (2014: £nil) was in place as at 31 March 2015.

## 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	
	2015 £m	2014 £m
<b>Deferred income</b>		
As at 1 April 2014	0.7	0.7
Transfer to creditors due in less than one year	–	–
<b>As at 31 March 2015</b>	<b>0.7</b>	0.7

## 23. Deferred tax

### Policy

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if there is sufficient evidence that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is expected to be realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
Deferred tax asset	3.5	0.1	0.7	–

# Notes to the financial statements

continued

## 24. Financial commitments

### Capital expenditure

Group	2015 £m	2014 £m
Expenditure contracted but not provided in the accounts	165.6	188.3
Social Housing Grant approved but not received	(10.5)	(17.7)
	155.1	170.6
Expenditure approved by the Board but not contracted	–	4.9
<b>As at 31 March 2015</b>	<b>155.1</b>	<b>175.5</b>

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

As a proportion of the historical cost of fixed assets, the capital committed above represents 6.84% (2014: 8.16%).

## 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.

As at 31 March 2015 there were the following operating lease commitments on leases expiring:

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
<b>Within one year</b>				
Land and buildings	0.1	0.7	–	0.2
Other	0.2	0.3	0.2	0.2
<b>Between two and five years</b>				
Land and buildings	2.5	0.9	–	–
Other	1.5	1.3	1.2	1.0
<b>After five years</b>				
Land and buildings	1.3	2.2	0.7	0.3
Other	–	–	–	–
	5.6	5.4	2.1	1.7

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

	Group	
	2015 £m	2014 £m
Operating surplus	105.8	110.1
Depreciation of tangible fixed assets and components written off	46.7	46.6
Net impairment reversal	(1.2)	(0.1)
Goodwill amortisation	0.1	0.1
Goodwill impairment	1.1	-
Fair value adjustment	2.8	-
Movement in pension funding provision	(2.4)	0.7
	<b>152.9</b>	157.4
<b>Working capital movements</b>		
Stock	14.6	(24.2)
Debtors	12.9	20.8
Creditors	16.3	8.9
Movement in investment in joint ventures	(13.6)	-
	<b>183.1</b>	162.9

## 27. Reconciliation of net cash flow to movement in net debt

	Group	
	2015 £m	2014 £m
Increase/(decrease) in cash	13.8	(1.5)
Cash outflow from increase in liquid resources	135.0	13.7
Cash (inflow) from increase in debt	(199.6)	(30.8)
Loan fair value adjustment	2.0	-
<b>Increase in net debt from cash flows</b>	<b>(48.8)</b>	(18.6)

## 28. Analysis of changes in net debt

	At 1 April 2014 £m	Fair value £m	Cash flow £m	At 31 March 2015 £m
Cash at bank and in hand	9.9	–	13.8	<b>23.7</b>
Bank overdraft	(10.3)	–	–	<b>(10.3)</b>
Changes in cash	(0.4)	–	13.8	<b>13.4</b>
Current asset investments	18.1	–	135.0	<b>153.1</b>
Loans	(1,789.6)	2.0	(197.6)	<b>(1,985.2)</b>
<b>Changes in net debt</b>	<b>(1,771.9)</b>	<b>2.0</b>	<b>(48.8)</b>	<b>(1,818.7)</b>

## 29. Contingent liabilities/assets

Circle Housing Circle 33 is contracted to two performance bonds, one for £0.3 million with Lewisham Borough Council and one for £0.1 million with the London Borough of Islington. These have been set up to compensate the relevant 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 either of these bonds.

Circle Housing Circle 33 has a contingent liability in relation to a number of defects which have been found at the Bell Green development. No further information has been received to date but there is potential for this scheme to need repairs.

Circle Housing Mercian has a separate contingent asset relating to a claim for recovery of a £0.7 million deposit and expenses. The 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. Mediation was held on 30 March 2015 and no settlement reached, although it is hoped the matter will be settled before trial, currently scheduled for November 2015.

Circle Housing Russet has entered into a contract with Land Securities Eastern Quarry Limited to purchase land at Castle Hill, Eastern Quarry, Ebbsfleet in three phases. There is an Option Agreement in place over phases two and three. Under the terms of the Option Agreement, the Seller (Land Securities Eastern Quarry Limited) shall be entitled to serve on the Buyer (Circle Housing Russet) up to two Option Notices. The Option Agreement persists for a period of seven years from the date of the agreement after which it will expire without penalty on either party. An Option Fee of £1 will be payable by the Buyer to the Seller on exchange of legally binding contracts. Phase two is to be purchased at a cost of £6.5 million and phase three at a cost of £3.5 million.

Circle Anglia Limited has guaranteed the commitment of office leases taken out by its subsidiaries Circle Care and Support Limited, Circle Housing Old Ford, Circle Housing Russet and Circle Housing Wherry. Annual payments across the four subsidiaries total £1.6 million plus VAT with the first lease expiring in 2018 and the last in 2023.

### 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 or 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 for the year in which they are payable to the schemes.

#### 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 2015 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 Council Superannuation Fund	Anglia Maintenance Services Limited	Surrey County Council Pension Fund	Mole Valley Housing Association	Cambridgeshire County Council Pension Fund	Rodsons Housing Association	Kent County Council Pension Fund	Invicta Telecare Limited	Russet Homes Limited	London Borough of Merton Pension Fund	Merton Priory Homes	Other	Total
Group member	Circle Anglia Limited											See note below	
Current number of employees in the scheme	37	11	19	30	24	31	83	21	<b>256</b>				
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Scheme deficit at 31 March 2015	14.0	0.7	1.3	2.9	2.0	9.0	4.7	2.2	<b>36.8</b>				
Deferred tax asset	(3.0)	(0.1)	-	-	(0.3)	-	-	-	<b>(3.4)</b>				
<b>Net scheme deficit at 31 March 2015</b>	<b>11.0</b>	<b>0.6</b>	<b>1.3</b>	<b>2.9</b>	<b>1.7</b>	<b>9.0</b>	<b>4.7</b>	<b>2.2</b>	<b>33.4</b>				

Note: Details of all of the funds can be found in the individual entities' financial statements.

# Notes to the financial statements

continued

## 30. Pension obligations continued

### Group summary continued

'Other' represents six pension funds for Circle Care and Support Limited and Old Ford Housing Association each with fewer than 11 members and therefore considered to be below the materiality level for reporting in the consolidated financial statements.

The six 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 ten or fewer active members and therefore have not been disclosed on grounds of materiality: National Health Service Pension Scheme and Social Housing Pension Scheme.

Principal actuarial assumptions were as follows:

	2015	2014
Inflation	2.0% – 2.6%	2.4% – 2.9%
Pension increase rate	2.0% – 2.6%	2.4% – 2.9%
Salary increase rate	3.3% – 4.4%	3.6% – 4.7%
Expected return on assets	3.2% – 6.4%	5.8% – 6.4%
Discount rate	3.2% – 3.5%	4.3% – 4.6%

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:

	Male Years	Female Years
Current pensioner aged 65	21.1 – 22.8	24.2 – 25.7
Future retiree upon reaching 65	24.3 – 25.1	26.4 – 28.0

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:

	2015	2014
Equities	5.7% – 6.4%	6.6% – 7.1%
Bonds	2.2% – 2.8%	3.8% – 3.9%
Gilts	2.2% – 6.4%	3.4% – 3.6%
Other bonds	2.9% – 6.4%	4.2% – 4.3%
Property	3.9% – 6.4%	4.6% – 6.2%
Cash	3.9% – 6.4%	0.5% – 3.7%
Target return portfolio	5.8% – 6.4%	5.8% – 6.3%
Alternative assets	–	3.6% – 6.5%



**30. Pension obligations** continued**Group summary** continued

Fair value:

	2015 £m	2014 £m
Equities	68.2	61.0
Bonds	10.1	9.1
Gilts	4.0	3.5
Other bonds	3.3	2.9
Property	9.6	7.8
Cash	2.6	2.0
Target return portfolio	1.5	1.2
Alternative assets	–	0.1
	<b>99.3</b>	87.6

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

	2015 £m	2014 £m
Total market value of assets	99.3	87.6
Present value of scheme liabilities	(136.1)	(114.9)
	(36.8)	(27.3)
Present value of unfunded liabilities	–	(0.3)
Scheme deficit	(36.8)	(27.6)
Related deferred tax asset	3.4	2.9
<b>Net pension liability</b>	<b>(33.4)</b>	(24.7)

Movement in deficit in the year:

	2015 £m	2014 £m
As at 1 April 2014	(27.6)	(29.3)
Current service costs	(1.8)	(2.0)
Contributions by employer	4.2	3.0
Expected return on assets	5.3	4.3
Settlements and curtailments	–	(0.3)
Interest cost	(5.0)	(5.0)
Actuarial (losses)/gains	(11.9)	1.7
<b>As at 31 March 2015</b>	<b>(36.8)</b>	(27.6)

# Notes to the financial statements

continued

## 30. Pension obligations continued

### Group summary continued

Movement in present value of defined benefit obligation:

	2015 £m	2014 £m
As at 1 April 2014	(115.2)	(110.8)
Current service costs	(1.8)	(2.0)
Settlements and curtailments	–	(0.3)
Interest cost	(5.0)	(5.0)
Contributions by members	(0.5)	(0.5)
Actuarial (losses)/gains	(17.1)	0.1
Estimated benefits paid	3.5	3.3
<b>As at 31 March 2015</b>	<b>(136.1)</b>	<b>(115.2)</b>

Movement in fair value of plan assets:

	2015 £m	2014 £m
As at 1 April 2014	87.6	81.5
Expected return on assets	5.3	4.3
Contributions by employer	4.2	3.0
Contributions by members	0.5	0.5
Actuarial gains	5.2	1.6
Estimated benefits paid	(3.5)	(3.3)
<b>As at 31 March 2015</b>	<b>99.3</b>	<b>87.6</b>

The Group expects the employer's contribution for the year ended 31 March 2016 to be approximately £3.1 million.

Categories of plan assets as a percentage of total plan assets:

	2015	2014
Equities	68.7%	69.7%
Bonds	10.1%	10.3%
Gilts	4.1%	4.0%
Other bonds	3.3%	3.4%
Property	9.6%	8.9%
Cash	2.6%	2.2%
Target return portfolio	1.4%	1.4%
Infrastructure	0.1%	–
Alternative assets	0.1%	0.1%

**30. Pension obligations** continued**Group summary** continued

Amounts charged to operating surplus:

	2015 £m	2014 £m
Current service costs	1.8	2.0
Settlements and curtailments	–	0.3
	<b>1.8</b>	2.3

Amounts credited/(charged) to other financial income:

	2015 £m	2014 £m
Expected return on assets	5.3	4.3
Interest on liabilities	(5.0)	(5.0)
	<b>0.3</b>	(0.7)

History of plan

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of scheme liabilities	(136.1)	(115.2)	(110.8)	(97.5)	(83.3)
Fair value of scheme assets	99.3	87.6	81.5	70.5	67.4
Deficit	<b>(36.8)</b>	(27.6)	(29.3)	(27.0)	(15.9)

History of experience gains and losses:

	2015 £m/%	2014 £m/%	2013 £m/%	2012 £m/%	2011 £m/%
Experience adjustments on scheme liabilities	(0.6)	(4.4)	0.1	(0.7)	8.0
Percentage of year end scheme liabilities	0.44%	(3.82%)	0.09%	(0.80%)	9.60%
Experience adjustments on scheme assets	5.2	6.1	6.0	(3.3)	(2.7)
Percentage of year end scheme assets	5.24%	6.96%	7.36%	(4.68%)	(4.00%)
Amount recognised in statement of total recognised surpluses and deficits	(11.9)	1.7	(2.4)	(12.1)	16.4
Percentage of year end scheme liabilities	8.74%	1.48%	(2.17%)	(12.41%)	19.70%

# Notes to the financial statements continued

## 30. Pension obligations continued

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 2015 using the projected unit method.

Principal actuarial assumptions at the year end were as follows:

	2015	2014
Inflation	2.4%	2.8%
Pension increase rate	2.4%	2.8%
Salary increase rate	3.3%	3.6%
Expected return on assets	3.2%	5.8%
Discount rate	3.2%	4.3%

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:

	Male Years	Female 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:

	2015	2014
Equities	5.7%	6.7%
Bonds	2.7%	3.9%
Property	3.9%	4.8%
Cash	2.6%	3.7%

**30. Pension obligations** continued

Circle Anglia Limited continued

The Norfolk County Council Superannuation Fund continued

Fair value:

	2015 £m	2014 £m
Equities	18.3	15.3
Bonds	5.5	5.0
Property	3.3	2.9
Cash	0.8	0.7
	<b>28.0</b>	23.9

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

	2015 £m	2014 £m
Total market value of assets	28.0	23.9
Present value of scheme liabilities	(42.0)	(36.4)
	(14.0)	(12.5)
Present value of unfunded liabilities	–	(0.3)
Scheme deficit	(14.0)	(12.8)
Related deferred tax asset	3.0	2.6
<b>Net pension liability</b>	<b>(11.0)</b>	(10.2)

Movement in deficit in the year:

	2015 £m	2014 £m
As at 1 April 2014	(12.8)	(13.2)
Current service costs	(0.4)	(0.4)
Contributions paid	2.1	0.8
Expected return on employer assets	1.4	1.2
Settlements and curtailments	(0.1)	–
Interest cost	(1.5)	(1.6)
Actuarial (losses)/gains	(2.7)	0.4
<b>As at 31 March 2015</b>	<b>(14.0)</b>	(12.8)

# Notes to the financial statements continued

## 30. Pension obligations continued

Circle Anglia Limited continued

The Norfolk County Council Superannuation Fund continued

Movement in present value of defined benefit obligation:

	2015 £m	2014 £m
As at 1 April 2014	(36.7)	(35.9)
Current service costs	(0.4)	(0.4)
Settlements and curtailments	(0.1)	-
Interest cost	(1.5)	(1.6)
Contributions by members	(0.1)	(0.1)
Actuarial (losses)/gains	(4.6)	0.2
Estimated benefits paid	1.4	1.1
<b>As at 31 March 2015</b>	<b>(42.0)</b>	<b>(36.7)</b>

Movement in fair value of plan assets:

	2015 £m	2014 £m
As at 1 April 2014	23.9	22.7
Expected return on assets	1.4	1.2
Contributions by employer	2.1	0.8
Contributions by members	0.1	0.1
Actuarial gains	1.9	0.2
Estimated benefits paid	(1.4)	(1.1)
<b>As at 31 March 2015</b>	<b>28.0</b>	<b>23.9</b>

The Association expects the employer's contribution for the year ended 31 March 2016 to be approximately £1.122 million.

Categories of plan assets as a percentage of total plan assets:

	2015	2014
Equities	65%	64%
Bonds	20%	21%
Property	12%	12%
Cash	3%	3%

**30. Pension obligations** continued

Circle Anglia Limited continued

The Norfolk County Council Superannuation Fund continued

Analysis of amounts charged to income and expenditure account:

	2015 £m	2014 £m
Current service costs	0.4	0.4
Settlements and curtailments	0.1	-
	<b>0.5</b>	0.4

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

	2015 £m	2014 £m
Expected return on assets	1.4	1.2
Interest on liabilities	(1.5)	(1.6)
	<b>(0.1)</b>	(0.4)

History of plan

	2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Present value of scheme liabilities	(42.0)	(36.7)	(35.9)	(31.0)	(27.6)
Fair value of scheme assets	28.0	23.9	22.7	19.9	19.7
Deficit	<b>(14.0)</b>	(12.8)	(13.2)	(11.1)	(7.9)

History of experience gains and losses:

	2015 £m/%	2014 £m/%	2013 £m/%	2012 £m/%	2011 £m/%
Experience adjustments on scheme liabilities	0.4	0.8	0.1	(0.6)	4.1
Percentage of year end scheme liabilities	<b>0.95%</b>	2.18%	0.28%	(1.94%)	0.1
Experience adjustments on scheme assets	1.9	0.2	1.6	(1.2)	(1.8)
Percentage of year end scheme assets	<b>6.79%</b>	0.84%	7.05%	(6.03%)	(9.14%)
Amount recognised in statement of total recognised surpluses and deficits	(2.7)	0.4	(2.3)	(3.5)	4.3
Percentage of year end scheme liabilities	<b>(6.43%)</b>	1.09%	(6.41%)	(11.29%)	15.58%

### **30. Pension obligations** continued

#### **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.

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 for the year in which they are payable to the schemes.

#### **Social Housing Pension Scheme**

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 FRS17 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, the shortfall being £1,035 million, equivalent to a past service funding level of 67.0%.

The latest actuarial report of the Scheme was prepared as at 30 September 2013 and gives an approximate update on the funding position. 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, and the Scheme's liabilities were £1,151 million, revealing a shortfall equivalent to a past service funding level of 70%.

### **31. Related party transactions**

As at 31 March 2015, there were no Board or committee members who were a Circle Anglia Limited tenant or shared owner (2014: one). Their tenancy or lease agreement were 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

	Association	
	2015 £	2014 £
Shares of £1 each issued and fully paid		
As at 1 April 2014	9	9
Shares issued during the year	2	-
Shares surrendered during the year	(2)	-
<b>As at 31 March 2015</b>	<b>9</b>	<b>9</b>

With the exception of the Chief Executive Officer, each member of the Management Board 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.

### 33. Reserves

Group	Designated reserves			Revenue reserve £m	Total £m
	Major repairs reserve £m	Improvements reserve £m	Other reserves £m		
As at 1 April 2014	0.6	0.5	7.0	432.1	<b>440.2</b>
Surplus for the year	-	-	(0.1)	45.6	<b>45.5</b>
Gain on exchange rates	-	-	-	1.0	<b>1.0</b>
Transfer of shared ownership sinking funds	-	-	0.6	(0.6)	-
Transfer between reserves	(0.4)	-	(3.2)	3.6	-
Pension actuarial loss net of deferred tax	-	-	-	(11.1)	<b>(11.1)</b>
<b>As at 31 March 2015</b>	<b>0.2</b>	<b>0.5</b>	<b>4.3</b>	<b>470.6</b>	<b>475.6</b>

Major repairs reserve and improvements reserve 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.

The transfer out of designated reserves represents the removal of provisions for works in Circle Housing Circle 33 which, on review, are considered to be no longer required.

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 HCA, 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' review of stock condition surveys and a programme of planned works. The contributions are set aside to a designated reserve.

# Notes to the financial statements

continued

## 34. Reconciliation of movement in Group and Association funds

	Group		Association	
	2015 £m	2014 £m	2015 £m	2014 £m
As at 1 April 2014	<b>440.2</b>	395.4	<b>(15.8)</b>	(14.2)
Surplus/(deficit) for the financial year	<b>45.5</b>	44.5	<b>(1.4)</b>	(2.0)
Surplus/(deficit) on exchange rates	<b>1.0</b>	(1.2)	<b>-</b>	-
Net actuarial gains/(losses) net of deferred tax	<b>(11.1)</b>	1.5	<b>(2.2)</b>	0.4
<b>Closing funds</b>	<b>475.6</b>	440.2	<b>(19.4)</b>	(15.8)



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