

Empowering People Inspiring Communities Limited

**Financial Statements
For The Year Ended 31 March 2015**

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Homes and Communities Agency Registration No.	L4167
Company No.	3333405
Charity No.	1118644

Empowering People Inspiring Communities Limited

Financial Statements for the Year Ended 31 March 2015

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CHAIRMAN'S FOREWORD

I am pleased to note the great progress made by EPIC in the 2014/15 financial year. We continued to make great strides in improving our service, enhancing the quality of our stock, acquiring and renovating empty homes for below market rental and continuing our record of solid financial management.

As the chair of a registered charity I am very mindful of how we deliver against our charitable objectives and the table attached at page 7 shows our record of achievement.

The provision of good quality housing is essential to human life but housing in itself is not sufficient. People want to live in homes which are comfortable, modern and located within places where they feel safe, they enjoy good amenities and are within reach of employment and leisure facilities. Whilst our performance in the areas where housing providers compare themselves to one another remains outstanding there is much more to social housing than simply collecting the rent, completing repairs and managing tenancies.

At EPIC we have pursued three key objectives over the last few years. The first is around being an excellent community based landlord. This has involved us developing a vision of excellence, reviewing our services against these standards, taking actions to improve services and employing new techniques and disciplines in service delivery. It is pleasing to note that our performance in relation to rent collected remains outstanding, customer satisfaction with the home remains in the top quartile of all housing associations and rent loss on voids is less than 1%. It is also important to note that fewer tenants are leaving us, a higher proportion of tenants are playing by the rules and complaints are at very low levels – only 20 over the whole year.

Our second major objective is around empowering our people through choice and responsibility. Our whole approach to housing management emphasises the active involvement of customers – this involves home visits of applicants to discuss housing needs and preferences, coaching applicants who rely on benefits to help them become more self-reliant, giving tenants choice over repairs appointments, ensuring that new tenants have maximum input into the design of the homes we are acquiring and recognising and rewarding tenants who play by the rules with our customer loyalty bonus. Our "you choose" and "you fix" schemes also demonstrate our commitment to full customer engagement and empowerment.

Our final key objective is around maintaining viability. With the vast majority of our stock being located in one of the country's most deprived wards we have to work extra hard to achieve the kind of operational performance noted throughout this report. One of the keys to our viability has been our willingness to innovate, to use research to help shape our service offer and to thoroughly review outcomes. The financial surpluses we have achieved are excellent and these are now being put to use in funding our acquisitions programme. In the last year we spent over £3.4 million acquiring 40 homes and attracting almost £800,000 in grant. This enables us to provide more housing options for our customers as well as reducing the City's stock of empty homes, tackling blight and providing good quality housing at below market rents.

Despite the challenges of Welfare Reform, volatile demand and a local economy which is still faltering EPIC has demonstrated that excellent governance, management and strategy can deliver results and outcomes that confirm the social value of charitable housing associations.

LEGAL AND ADMINISTRATIVE DETAILS
For the Year Ended 31 March 2015

Board Members

Surname	First name	Capacity	Date Joined	Date Resigned
Gething	John	Chairperson / Independent	15/09/2010	N/a
Poyser	Lorraine	Independent	09/02/2011	N/a
Brown	Jacqueline	Independent	14/09/2012	N/a
Holmes	Kirsty	Tenant Member	04/06/2014	N/a
Fury	Alex	Local Authority Member	14/09/2012	N/a
Holland	Rob	Independent	04/02/2014	N/a
Smith	Lee	Vice Chair / Independent	04/06/2014	N/a
Wedgwood	Alison	Local Authority Member	14/09/2012	04/06/2015
Seaman	Jakki	Chairperson / Independent	05/08/2005	10/09/2014
Woods	Rob	Independent	16/06/2010	04/06/2014
Herbert	Jenny	Independent	14/09/2011	04/06/2014

Executive Directors

Surname	First name	Capacity
Gibbs	Len	Chief Executive
Hopkins	Neal	Director of Housing
Noble	Hadrian	Asset Manager
Smith	Christopher	Systems Manager
Cryer	Andrew	Finance Director (Resigned February 2015)

Registered Office

131-141 Ubbertley Road, Bentilee, Stoke on Trent, Staffordshire, ST2 0EF

Auditors

Beever and Struthers
St. George's House
215-219 Chester Road
Manchester
M15 4JE

Bankers/Funders

The Co-operative Bank
2nd Floor
42 Greengate Street
Stafford
ST16 2BU

Strategic Report for the Year Ended 31 March 2015**Operating Review****Nature of Business**

EPIC is a registered charity which provides good quality housing for people on low incomes. We are located in the Bentilee area of Stoke-on-Trent and we own 920 flats and 96 houses.

Our vision is to empower our people, provide excellent services and offer further housing choices through acquisitions and innovative tenure offerings.

Our mission for 2015/16 is to provide excellent housing at below market rents for people on low incomes. We recognise our customers as individuals and as members of communities. We work in a highly ethical manner to promote local regeneration and stable communities. We cherish our people, our properties and our reputation.

Our objectives help us to set targets for performance so that we can be judged on how well we are doing. For the period of the present Business Plan, we have set three objectives which we will work towards over the planning period:

1. To be an excellent community based landlord
2. To empower our people through choice and responsibility
3. To maintain viability and offer more housing choices

We live by our values and these are: Fairness, Respect, Understanding, Integrity, Teamwork and Excellence. We ensure our staff practise these values and we continually examine the ways in which we operate to ensure we remain driven by our values.

The social impact of our investment in the community

Unlike a purely profit-focused business, it is not appropriate for us to simply look at the bottom line to monitor our performance as we also exist to create improvements in society, and as such a measure of social impact is required.

We have estimated that if we charged the Local Housing Allowance rate (which is the figure used to calculate the maximum housing benefit payable in an area), the annual rent income would be in excess of £1.1m higher than the social rents we charged in 2014/15. This represents 24% lower rents and therefore a significant saving to both our employed tenants and also the tax payer, as any housing benefit payable is also lower.

By using a model developed by HACT (Housing Association Charitable Trust) we have been able to value the success of our community interventions by how much they increase people's wellbeing. We have delivered 85 individual coaching sessions to prospective tenants, and run 9 group sessions for a further 50 potential tenants on financial awareness and budgeting. In addition to the above we have continued our traineeships and the last recipient has gone on to secure permanent full time employment. Using the model the estimate of the combined social benefits is in excess of £1m.

Strategic Report for the Year Ended 31 March 2015 (continued)

Review of the year

Housing Services

The key elements of the housing service involve:

- Ensuring we have enough customers for our properties
- Ensuring as far as possible tenancies are successful
- Providing robust and high quality tenancy management
- Preventing avoidable tenancy terminations

Demand for our properties continues to be volatile; however we have managed to continue to attract enough applicants for the number of properties that became vacant during the year. Evidence from other landlords such as Stoke-on-Trent City Council indicates that two bedroom flats are becoming very difficult to let. Despite this, we have managed to maintain a minimal waiting list for this type of property; however this requires continual effort and good waiting list management. Overall 97% of applicants are satisfied with the process of applying and securing housing accommodation with us. We continue to try and limit our exposure to welfare reform by monitoring the number of new tenants receiving full housing benefit. As at March 2015, 14.5% of new tenancies received full housing benefit, compared to 17.5% last year and 22% in 2013.

We define a failed tenancy as one where the tenant is evicted, where the tenancy is abandoned, and/or more than £200 in rent arrears has been accrued. Against a target of no more than 20% of failed tenancies, as at March 2015, we were outside target at 23%. The main reason for this figure being higher than target relates to an increased number of abandonments, (6 in the year). The pressures of welfare reform and affordability in general still make this a challenging target to achieve.

During the year 140 tenancies have ended, which is lower than last year's figure of 161 terminations. We have undertaken around the same number of transfers as last year (30 compared to 32 in the same period last year). The majority of transferring tenants have moved to a newly acquired house as part of our property purchase programme. There have been 9 evictions in the year, 4 less than last year. We hope that our customer reward scheme will have some impact on increasing our customer retention rate.

In terms of tenancy management, the majority of our tenancies (79.3%) have no tenancy breaches. This is an increase in performance of 3% from last year. The vast majority of tenancy breaches either relate to rent arrears or are fairly low level issues such as dog fouling. We continue to proactively use the probationary first year of tenancy to good effect; however this means that only half of tenancies convert to full Assured status after the first year, demonstrating a high level of non-compliance in the probationary period.

This year EPIC introduced a customer reward scheme to recognise and reward customers who pay their rent on time and keep to their conditions of tenancy. In total 57% (443) of customers who had been tenants for over a year were eligible for the £50 reward; with 89% (394) of eligible customers calling into our office to collect their £50 voucher booklet. The cost of the scheme was £19,400 and resulted in positive newspaper coverage and numerous positive comments from customers who were both surprised and delighted at receiving their reward.

Asset Management

The main focus of the Asset Management Team during the year was to improve the quality of our property offer, increase service levels and renovate properties as part of our growth strategy.

During the year, we have continued to improve the external appearance of our stock having removed graffiti and redundant aerials, while fitting new property numbers to combi and 4 blocks and have created an additional 15 car parking spaces. The Block Standard programme has continued and we are on target to complete by March 2017, this will ensure that all blocks of flats meet an agreed minimum standard and are fit for purpose; one area of focus is the formation of suitable storage areas for bins. The grass was cut 16 times at each block and hundreds more daffodils were planted.

Performance has improved in many areas including;

- We now keep 95.1% of appointments and 88.5% of repairs are completed at the first visit, these have increased from 86.7% and 81.3% at the end of March 2014
- Customer satisfaction with the repairs service has increased to 93.5% from 88.9% in the year
- Customer satisfaction with their new home increased to 68.3% from 61%
- Complaints have reduced from 43 in 2013/14 to 17 this year

Strategic Report for the Year Ended 31 March 2015 (continued)

The following core works contracts became due for renewal during the year and in summary;

- Void property repairs – Kier, 4.6% increase in rates
- Responsive repairs – Brenden Fern, 1.7% increase
- Out of hours repairs – Brenden Fern, no increase
- Gas servicing and maintenance – Brenden Fern, 5.5% increase
- Garden Maintenance – Croppers Ground Maintenance, 0.5% decrease

The results of this tender exercise would have been to increase costs; however, demand for these services has been reducing;

- The number of responsive repairs has reduced to 2,019 compared to 2,341 last year (a 14% reduction)
- The number of repairs required to the heating system has reduced from 724 in 2013/14 to 452 in the year (37% reduction)
- The number of void properties has also reduced from 161 in 2013/14 to 140 this year (15% reduction)
- We have removed 118 gas fires in the last two years which has reduced the forecasted cost of the gas servicing contract in 2015/16 by £108 despite the increase in rates and the additional properties purchased in this period

The impact of these reductions in repairs has resulted in a saving of approximately £100k this year compared to 2013/14. The average void costs have increased to £1,729 from £1,234 as we take the opportunity while the property is empty to complete property improvements to meet the enhanced Lettable Standard introduced in October 2013. The average time taken to relet our properties is 16 days, slightly above the 15 day target as we complete the improvement works. In addition to the core services above, the contract to renovate our property acquisitions was retendered and Broad Oak were successful with rates 7% lower than previously. The information we are collecting is now more accurate and we are beginning to utilise this to ensure that the service meets customer demand and therefore demonstrate value for money.

How do we compare to others?

This data is from 2012/13 which is the most recent comparison available from HouseMark data.¹

Performance Indicator	EPIC Performance	Top Quartile Performance
Average relet time all voids (days)	16	20
Current rent arrears as a percentage of annual debit	1.17%	1.63%
Customers satisfied with the quality of their home	92%	87%

Governance and management

The Company is governed by a Board of Management who provide their time and commitment to us on a voluntary basis. We have now settled on a smaller Board model which comprises an independent Chair, 6 independent members, 1 councillor and 1 tenant. Board expertise is supplemented by co-optees where appropriate. Our customer voice is heard through our Quality Panel whose purpose is to ensure that the services we provide are customer focussed, achieve excellent standards of performance and to provide us with appropriate challenges where things are not as good as they should be.

The Board reviews its performance on an annual basis and has adopted the National Housing Federation's Excellence in Governance Code. The Company is regulated by the Homes and Communities Agency (HCA) and the Charity Commission.

¹ PI Tracking Summary Report 2012/13, HouseMark, November 2013

Strategic Report for the Year Ended 31 March 2015 (continued)**Growth strategy**

We received grant funding from the Homes and Communities Agency (HCA) towards the purchase and refurbishment of 45 empty properties in the period April 2012 to March 2015 at a grant rate of between £10,000 and £25,000 per property. In addition, we were successful in securing grant to acquire a further 12 empty homes through Stoke-on-Trent City Council's Affordable Homes Programme (Round 1), at a grant rate of £20,000 per property. We successfully completed the acquisition of all 45 properties grant funded by the HCA by the contractual deadline of March 2015. We have also made good progress with the Stoke-on-Trent City Council grant funded acquisition programme, having acquired 6 houses to March 2015. In total we acquired 40 houses in the 2014/15 financial year.

The Board have approved a 5 year acquisition programme of a further 125 properties in the period to 2019/20. We have already secured grant from the Homes and Communities Agency towards 30 of these units, and have been successful in acquiring funding from Stoke-on-Trent City Council's Round 2 Affordable Homes Programme towards a further 13 properties. This programme offers a sustainable growth plan for the business, making productive use of our reserves through a steady increase in our stock portfolio. The acquisition of houses also diversifies our housing offer, and allows us to retain current customers who have outgrown their current home. We will continue to concentrate our acquisitions predominately in the south of the City where our current housing stock is located.

Strategic Report for the Year Ended 31 March 2015 (continued)

Performance in the Period

The following table highlights how we achieved our charitable objectives during the year and also sets out our future expectations:

Charitable Objective	Achievements during the Year	Expectations 2015 onwards
The provision of houses, hostels or any other housing accommodation and any associated amenities, services, advice or assistance for persons; in necessitous circumstances upon terms appropriate to their means.	<ul style="list-style-type: none"> We acquired and refurbished 40 properties during the year for affordable rent. We acquired our 1,000th property. We let 172 tenancies to applicants in housing need. We acquired 3 properties under the Government's Mortgage Rescue scheme to prevent owners becoming homeless. 	<ul style="list-style-type: none"> We plan to acquire 36 properties in 2015/16. We plan to bid for more funding from the Homes and Communities Agency to continue our house acquisition programme. We will investigate whether to offer shared accommodation to people in housing need.
The promotion for the public benefit of urban or rural regeneration in areas of social and economic deprivation.	<ul style="list-style-type: none"> We have brought 34 empty homes back into use for affordable rent. 	<ul style="list-style-type: none"> The majority of our property acquisitions in 2015/16 will be empty homes.
The relief of unemployment in such ways as may be thought fit, including assistance to find employment.	<ul style="list-style-type: none"> Two of our tenants have undertaken a paid traineeship with EPIC. The first trainee successfully obtained further employment at the end of their traineeship and the second trainee gained an extension to their traineeship with us. We utilise local contractors wherever possible, maximising employment within the local supply chain. 	<ul style="list-style-type: none"> We will support a consortium of local Registered Providers in their bid for funding to improve the employability of social housing customers.
The advancement of education, training or retraining, particularly among unemployed people and providing unemployed people with work experience.	<ul style="list-style-type: none"> We coached 38 applicants during the year, focusing on their aspirations for the future and employment prospects. We provided £3,170 grant funding to 14 Bentilee residents towards training and employment aspirations and donated £350 to a local high school to promote healthy eating and growing produce. We provided 9 group workshops to over 50 applicants to improve budgetary awareness. 	<ul style="list-style-type: none"> We will continue to develop our linkages with local schools and work jointly on educational and environmental projects.

Strategic Report for the Year Ended 31 March 2015 (continued)

Value For Money Statement

We are committed to achieving value for money in all of our activities. We achieve this by having a clear understanding of our costs, spending our resources where we consider they are most needed, procuring and delivering those services effectively and reducing waste, and delivering the services that our customers want and need. Put simply we are looking to get the best out of our assets, being more efficient, economic and environmentally responsible each year.

As have now exceeded the 1,000 managed social home property threshold, we have begun to benchmark our performance against these larger providers.

Getting the best out of our assets

Through real teamwork we are particularly successful at maximising the return on our assets and have again collected nearly all of the rents that were due and kept the void periods as low as we can get.

Our rents compare favourably to other similar properties within the Stoke-on-Trent area and our valuers have estimated that for the coming year, on average our properties are let at rents which are £10 a week lower than those of other providers.

Indicator	2012/13	2013/14	2014/15	Comments
Operating surplus/(deficit) as a percentage of average net assets	6%	9%	(0)%	Compares unfavourably with 2014 average operating margin of 5% amongst the 336 stock transfer providers with over 1,000 social homes.
Operating surplus/(deficit) as a percentage of Turnover	30%	50%	(0)%	Compares unfavourably with 2014 average operating margin of 27.3% amongst the 336 stock transfer providers with over 1,000 social homes.
Rent Collected	99%	99 %	99.6%	Performance remains very strong and the methodology of calculation remains consistent.
Bad debts	0.8%	1%	1%	Compares favourably with 2014 average 1% amongst the 336 providers with over 1,000 social homes.
Current rent arrears at the year end	£36,932	£53,312	£41,029	Compares favourably to our target of £62,200, and we are coping well with the impacts of Welfare Reform to date. Only 39% of our rents were paid through Housing Benefit, compared to 44% last year.
Rent void loss	0.7%	0.7%	0.62%	Compares favourably with the 2014 average 1.8% amongst the 336 providers with over 1,000 social homes.

Indicator	2012/13	2013/14	2014/15	Comments
Void turnaround time	14 days	15 days	16 days	A turnaround time of 16 days compares favourably with other housing providers. The figure includes all voids and the time taken when the works have been completed but not yet relet. The higher average figure is due to the increase in scope of the works and a need to renew major property components more regularly.

Becoming more efficient, economic and environmentally responsible

Reducing costs whilst maintaining high levels of service is a central driver for us, but we are aware that Value for Money is only really achieved when it is successfully aligned with improvements in the outcomes for our customers.

Indicator	2012/13	2013/14	2014/15	Comments
Additional units of accommodation acquired	9	15	40	Our strategy is to purchase 'empty' properties and bring to back into use. We aim to purchase 36 more properties in the coming year.
Number of units per member of staff	53	54	53	Compares favourably to a national average amongst housing associations of 28 for 2013.
Average cost of a void property	£878	£1,234	£1,729	This figure includes both repairs and specific property improvement works, such as showers to enhance our offer to our customers. The service was re tendered for 2014/15 where the rates increased by nearly 30% over the year before when the contractor had not priced correctly and had been losing money on the contract. The 2015/16 budget has separated the improvement works so performance can be monitored against previous years.
Average management costs per home	£858	£900	£923	Compares favourably with 2014 average £936 amongst the 336 stock transfer providers with over 1,000 social homes given our size and fixed costs, but our local community focus allows us to deliver much more than the norm.
Properties with a valid gas certificate at the year end	99.7%	100%	99.9%	One property had an out of date certificate at the end of the year.
Stock compliant with the Decent Homes Standard	98%	98%	99%	Works to the remaining properties have been refused so cannot be completed until the property is next void.

Strategic Report for the Year Ended 31 March 2015 (continued)

Engaging with our residents

We value our customers and are keen to get their feedback. We undertake the nationally comparable STAR survey every 3 years to compare ourselves to our peers. As the next survey is due to take place later in 2015, and the previous results are from 2012, we have published our satisfaction data from our Key Performance Indicator figures rather than using STAR survey data.

Indicator	2013/14	2014/15	
Customer satisfaction with the quality of their home (for new tenants)	61.0%	68.3%	We have invested significantly to improve the satisfaction of new tenants with their home – showers are now installed as standard, and we are removing obsolete airing cupboards to increase space in kitchens. Most of the dissatisfaction relates to the quality of the decoration from the outgoing tenant and plastering.
Customer satisfaction with the repairs service	88.9%	93.5%	We have invested significant time and effort to ensure we provide an excellent repairs service to our customers. All repairs are now completed within 7 days (unless the customer wishes to have a later appointment).

Our complaints process is robust and the majority of complainants are satisfied with how we deal with their complaint.

Over 2014/15 we received 17 complaints, the lowest number since 2002/03. Of these 17 complaints, 70% were upheld or partially upheld. This is compared to 2013/14 when we received 43 formal complaints of which 75% were upheld or partially upheld. No complaints were referred to the Ombudsman during the year (2013/14: none). Repairs and maintenance were again the source of most complaints.

Other performance indicators for 2014/15 tell us that 97% of our customers are satisfied with the allocations process, 98% of our customers are satisfied with how they report repairs and 93.5% are satisfied with the completion of the repair.

The feedback on the void process show that 67.2% of customers are satisfied with the condition of their new home, while this has increased from 61% in the year it is still not achieving the stated target of 85%. We continue to try and achieve the target and the standard of the properties has increased which would appear to have impacted the number of customers expressing dissatisfaction as this has reduced from 15% to 8% in the year. The main areas for concern remain the décor and the condition of the walls.

We have recognised that new customers are experiencing a higher level of service than those whose tenancies which started prior to the increase in the Lettable Standard in October 2013. In order that everyone is treated equally there is a budget provision of £127k in 2015/16 to start to offer the same property improvements, completed on a planned programme for existing customers.

The Quality Panel continued its work around scrutiny of our services and helped in the development of policies. The Panel continued its involvement on our regular estate walkabouts highlighting issues relating to repairs and tenancy breaches.

Strategic Report for the Year Ended 31 March 2015 (continued)

The Future

Our property stock is predominantly one and two bedroom flats, and the average length of a tenancy, at around two years, is shorter than we would like, which may be due to the properties attracting a larger proportion of younger transitory tenants than may be the case for houses. Our aim, over time, is to increase the average length of occupancy by continually improving the quality of the properties we offer to the market.

Our growth strategy is to continue to acquire two and three bedroom houses and a small number of 1 bedroom flats, which we anticipate will allow more tenants to remain with us as their housing needs change over time, and meet the increased demand for smaller accommodation in an efficient, economic and environmentally responsible way. We plan to acquire 125 properties in total over the next five years.

We also plan to further market and develop our “You Fix” scheme which allows new tenants to take the lead in refurbishing a property that we purchase on the open market, with a view to them purchasing the property once they have saved for a deposit in around five years’ time.

For the next three years we have identified the following strategic objectives:

1. To be an excellent community based landlord
2. To empower our people through choice and responsibility
3. To maintain viability and offer more housing choices

An excellent community based landlord

We will ensure that we continue to deliver high quality services and that we remain financially robust, well governed and well managed. We will ensure that we are an important institution within Bentilee helping to ensure that our community can prosper.

Empowering our people

We want to ensure that our staff are equipped to do their jobs with the minimum of interference, that decisions are devolved to the lowest appropriate levels and that staff can help improve our services. We also want to ensure we help our tenants achieve their full potential. We are working closely with many of our new tenants and applicants to build up their skills and aspirations.

Maintain viability and offer more housing choices

We will plan to manage the impact of continued Welfare Reform and the introduction of Universal Credit. We will also stress test our Business Plan against other changes in our operating environment such as the planned extension of the Right to Buy to Housing Association tenants. Our property acquisition programme is scalable and can be adjusted in the light of our operating context. The Board review on a quarterly basis the scope of our acquisition programme in the light of emerging risks and challenges to our operating environment.

Our key priorities for 2015/16 are:

1. Continued expansion through acquisitions
2. Managing the challenges arising through Welfare Reform
3. Improving our customer offer
4. Modernising our ICT infrastructure and systems
5. Applying research and learning to our everyday operations

Strategic Report for the Year Ended 31 March 2015 (continued)

Risk

The main risks faced by the Company are considered annually by the Management Team with the Board as part of the business planning process. The definition of risk for this purpose is an event that could prevent the Business Plan from being achieved if it were to crystallise. Risks are recorded in a risk register which also records key controls to manage each risk, who is responsible for the control and how the control is monitored. Risks are analysed according to their impact and probability i.e. high, medium and low given the current control environment.

The Board has assessed that the risks in the table below are those that are most likely to influence future performance.

Our operational context is likely to go through considerable change during the period of the plan as the Welfare Reform agenda goes through and the situation with the local economy becomes clearer. The risks identified below are those that we consider have a high likelihood of occurring and damaging consequences if they do.

Risk	Potential effects
Changes to the benefits regime	Increased rent arrears; more terminations; increased poverty: reductions in household formation; lower demand for 1 and 2 bedroomed flats
Government policies around social housing	Loss of stock through the extension of the Right To Buy to Housing Associations and increased discounts. Current risks around Preserved Right to Buy and Right To Acquire
Council new build and new build elsewhere	Increase in empty homes across the city and anti-social behaviour
Declining population and neighbourhoods	Increase in difficult to let, more voids, higher levels of anti-social behaviour
Declining local economy	Importation of poverty, decreased demand, difficulty in affording rents, pressure to lower rents
Property Acquisitions	Overstretched cash flow, overstretched employee resources

Strategic Report for the Year Ended 31 March 2015 (continued)

Financial Review

Financial performance in the year to March 2015 was very strong despite the difficult wider economic and welfare reform environment. The theme outlined in the strategy of spending a third of our income on maintaining and improving our existing properties, a third on our overheads and a third as our surplus has broadly been achieved. The operating loss for the year is £7k, which compares unfavourably to both the budget and forecast, which was a surplus of £997k and £1,136k respectively. The reason for the variance is an unbudgeted impairment against the newly acquired properties amounting to £1,406k. This is due to the cost of the properties being more than their subsequent valuation.

The turnover for the year increased by £206k, from £3.267m last year to £3.473m, net of void losses.

At the start of the year we were concerned about the potential impact of Welfare Reform upon our income, but our performance has been positive in this area. The void rent loss was smaller than expected at £22k, versus a budget of £34k and actual performance last year of £24k. Our rent collection rates are 99.6% of rent receivable, and whilst the overall bad debt provision has been slightly increased, the charge to the income and expenditure account in the year for the provision was less than anticipated.

Following approval at the January Board meeting, the mortgage loan with the Co-op Bank was repaid in February 2015. We repaid outstanding capital of £415k and breakage fees in excess of £131k. We now have no loans outstanding.

Cash inflows and outflows for the period under review are set out in the cash flow statement. Net cash inflows from operating activities of £1,732k (2013/14: £1,316k) are from the management of the housing stock. Despite spending nearly £3.4m on property acquisitions and capital works costs to existing properties, our cash and investments remain over £2.5m. The current cash to revenue reserve ratio is 33% (2013/14: 58%).

Net current assets were £2,181k (2013/14: £4,086k).

Investment for the Future

The Board is committed to spending around £1.1m next year to maintain and improve the housing stock. This is spread across responsive, cyclical, services and planned maintenance such as replacement of boilers, kitchens and bathrooms.

In addition to investing in its existing stock the Board has approved the purchase and refurbishment of at least 125 houses in period to 2019/20 which will provide family accommodation at affordable rent levels.

Reserves and Investment Policy

The Company is able to freely utilise the revenue reserves to further its objectives. We are constantly looking at various property scheme options in which to invest the reserves. When reviewing any options we need to ensure that whilst fulfilling the Company's objectives and aims that they are also financially viable in the longer term.

Any surplus funds that are invested with various UK financial institutions are done so in accordance with the Company's Treasury Management Policy. This stipulates that: -

- Financial institutions must have an IBCA short term rating of at least F2, a long term rating of at least A- and an individual or performance rating of at least B/C (other equivalent credit rating institutions can be used) for deposits of £500,000 or less. For deposits over this limit the minimum ratings are F1, AA- and B respectively.
- All investment must have a maturity date of no more than 6 months without prior approval of the Board.

During the year we achieved an average interest rate of 0.63% (2013/14: 1.4%) on our investments. This generated additional income for the Company of £21k (2013/14: £35k).

Environmental Statement

We recognise the need to develop our business in a sustainable manner. We recognise we are a significant consumer of resources and that our operations produce pollution. We will engage and work with our employees, tenants, partners and suppliers to ensure that we acknowledge our responsibilities by preventing pollution and reducing our negative impact on the environment.

Our growth strategy favours bringing empty properties in our community back into use.

Our void contractors have confirmed that other than asbestos, lithium and florescent lights, 100% of our waste is recycled.

The installation of showers to all properties will reduce the amount of water used and therefore also the amount of energy that is needed to heat the water.

Strategic Report for the Year Ended 31 March 2015 (continued)

Public Benefit Compliance Statement

The Board have referred to the Charities Commission guidance on public benefit. They have reviewed the activities carried out during the year and are confident that the table on page 7 demonstrates the Company's commitment to achieving our charitable aims.

Board Report for the Year Ended 31 March 2015**Statement of the Board's Responsibilities in Respect of the Accounts**

The Board has adopted the National Housing Federation's Excellence in Governance - code for members and good practice guidance and was compliant with the version in force during the year. Company law, The Charities Act and Registered Providers legislation in the United Kingdom require the Board to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for that period.

In preparing these accounts the Board is required to:-

1. Select suitable accounting policies and then apply them consistently.
2. Make judgements and estimates that are reasonable and prudent.
3. State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
4. Prepare the accounts on the going concern basis unless it is inappropriate, to presume that the Company will continue in business.

The Board is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable it to ensure that the financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England from April 2012. It is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities, by establishing and maintaining a satisfactory system of control over the Company's accounting records, cash holdings and all its receipts and remittances.

In accordance with company law, as the Company's directors, we certify that there is no relevant audit information of which the Company's auditors are unaware and the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board has a reasonable expectation that the Association has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in the financial statements.

The Board is aware of the requirement to implement Financial Reporting Standard 102, and has begun its preparations. The new Housing Statement of Recommended Practice (SORP) is expected to be issued by the autumn which will provide guidance and interpretation of the new Standard for housing associations.

Statement on the system of internal control

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

The Board recognises that no system of internal control can provide absolute assurance against material misstatement or loss or eliminate all risk of failure to achieve business objectives. The system of internal control is designed to manage key risks and to provide reasonable assurance that planned business objectives and outcomes are achieved. It also exists to give reasonable assurance about the preparation and reliability of financial and operational information and the safeguarding of the Company's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which are embedded within the normal management and governance process. This approach includes the regular evaluation of the nature and extent of risks to which the Company is exposed and is consistent with Turnbull principles as incorporated in the former Housing Corporation circular 07/07: internal controls assurance.

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

Identification and evaluation of key risks

Management responsibility has been clearly defined for the identification, evaluation and control of significant risks. There is a formal and ongoing process of management review in each area of the Company's activities. The Management Team regularly considers and receives reports on significant risks facing the Company and the Chief Executive is responsible for reporting to the Board any significant changes affecting key risks.

Overall control procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues including treasury strategy and new investment projects. Policies and procedures cover issues such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection and fraud prevention and detection.

Board Report for the Year Ended 31 March 2015 (continued)**Information and financial reporting systems**

Financial reporting procedures include detailed budgets for the year ahead, detailed management accounts produced quarterly and forecasts for the remainder of the financial year. These are reviewed in detail by the executive directors and are considered and approved by the Board. The Board also regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

Monitoring and corrective action

A process of regular management reporting on control issues provides assurance to senior management and to the Board. This includes a rigorous procedure for ensuring that corrective action is taken in relation to any significant control issues, particularly those that may have a material impact on the financial statements and delivery of our services.

The internal control framework and the risk management process are subject to regular review. The Audit Committee considers internal control and risk at each of its meetings during the year.

The Audit Committee conducts an annual review of the effectiveness of the system of internal control and has taken account of any changes needed to maintain the effectiveness of risk management and control processes. The Audit Committee makes an annual report to the Board. The Board has received this report.

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

Employment and Equal Opportunities

Employee information is set out in Notes 17 & 18 of the financial statements.

The Company is committed to the principles of equal opportunities and undertakes regular refresher training on equality and diversity for all staff.

The Company is aware of its responsibilities with regard to the Health and Safety of its employees. There are comprehensive policies and procedures in place, which are reviewed on a regular basis in consultation with all staff. All new staff receive training on these policies as part of their induction.

By order of the Board

Mr J Gething
Chair



Date: 2nd September 2015

Independent Auditor's Report to the Members of Empowering People Inspiring Communities Limited

We have audited the financial statements of Empowering People Inspiring Communities Limited for the year ended 31 March 2015 on pages 19 to 30. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 137 of the Housing and Regeneration Act 2008. Our audit work has been undertaken so that we might state to the Company'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 Company and the Company'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 explained more fully in the Statement of the Board's Responsibilities set out on page 15, the Board members (who are also directors of the Company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they 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 Financial Reporting Council's Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2015 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Social Housing in England 2012.

Opinion on Other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Board Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditor's Report to the Members of Empowering People Inspiring Communities Limited (continued)

Matters on Which We are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of board members' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

In addition, we have nothing to report in respect of the following matter where the Housing and Regeneration Act 2008 requires us to report to you if, in our opinion:

- a satisfactory system of control over transactions has not been maintained.

St. George's House
215 - 219 Chester Road
Manchester
M15 4JE

Date:

David Hunter (Senior
Statutory Auditor)
For and on behalf of
BEEVER AND STRUTHERS
Chartered Accountants
& Statutory Auditor

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

	Notes	2015 £	2014 £
Turnover	2a	3,472,865	3,267,404
Operating costs	2b	<u>(3,479,953)</u>	<u>(1,971,810)</u>
Operating surplus / (deficit)		(7,088)	1,295,594
Interest receivable	3a	21,146	34,967
Interest payable and similar charges	3b	<u>(158,892)</u>	<u>(31,297)</u>
Surplus / (deficit) on ordinary activities for the year before taxation		(144,834)	1,299,264
Tax on surplus on ordinary activities	4	<u>-</u>	<u>-</u>
Surplus / (deficit) for the year		<u><u>(144,834)</u></u>	<u><u>1,299,264</u></u>

All amounts relate to continuing activities.

The notes on pages 23 to 30 form an integral part of these financial statements.

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

	2015 £	2014 £
Surplus/(deficit) for the year	(144,834)	1,299,264
Unrealised surplus/(deficit) on revaluation	<u>521,539</u>	<u>717,663</u>
Total recognised surplus/(deficit) for the year	<u>376,705</u>	<u>2,016,927</u>

**Statement of Historical Cost Gains and Losses
For the Year Ended 31 March 2015**

	2015 £	2014 £
Surplus/(deficit) for the year	(144,834)	1,299,264
Difference between the historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>61,707</u>	<u>76,988</u>
Historic cost surplus/(deficit) for the year	<u>(83,127)</u>	<u>1,376,252</u>

The notes on pages 23 to 30 form an integral part of these financial statements.

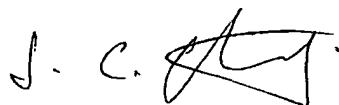
Balance Sheet
As at 31 March 2015

	Notes	2015 £	2014 £
Fixed assets			
Housing properties at valuation	6	17,076,000	15,206,000
Other Fixed Assets	8a	115,310	115,611
Investments	8b	<u>1</u>	<u>1</u>
		<u>17,191,311</u>	<u>15,321,612</u>
Current assets			
Debtors	9	150,059	170,970
Investments	10	2,063,899	3,600,574
Cash in bank and at hand	11	<u>481,754</u>	<u>693,644</u>
		2,695,712	4,465,188
Less Creditors			
Amounts falling due within one year	12	<u>(514,456)</u>	<u>(379,436)</u>
Net current assets		<u>2,181,256</u>	<u>4,085,752</u>
Total assets less current liabilities		<u>19,372,567</u>	<u>19,407,364</u>
Creditors			
Amounts falling due after more than one year	13	-	411,502
Capital and reserves			
Revaluation reserves	14	11,623,506	11,163,674
Revenue reserves	14	<u>7,749,061</u>	<u>7,832,188</u>
		<u>19,372,567</u>	<u>19,407,364</u>

The notes on pages 23 to 30 form an integral part of these financial statements.

The financial statements on pages 19 to 30 were approved and authorised for use by the Board of Management on
2015 and were signed on its behalf by:

Board Member:
Mr J Gething

J. C. 

Secretary:
Mr L Gibbs



The notes on pages 23 to 30 form an integral part of these financial statements.

Cash Flow Statement
For the Year Ended 31 March 2015

	Notes	2015	2014
		£	£
Net cash inflow from operating activities		1,732,194	1,316,004
Returns on investments and servicing of Finance	19		
Interest received		21,146	34,967
Interest paid		(158,892)	(31,297)
		(137,746)	3,670
Capital Expenditure			
Acquisition and construction of housing properties		(3,662,295)	(1,241,861)
Social Housing grant received		757,166	167,141
Purchase of other fixed assets		(9,546)	(16,394)
Sale of other fixed assets		-	-
		(2,914,675)	(1,091,114)
Net cash inflow before management of liquid resources and financing	19	(1,320,227)	228,560
Management of liquid resources	19		
Net movement in current asset investments		(1,536,675)	262,121
Financing	19		
Repayment of bank loan		428,338	15,592
Increase / (Decrease) in cash	19	(211,890)	(49,153)
Reconciliation of operating surpluses to net cash inflow from operating activities			
Operating surplus		(7,088)	1,295,594
Depreciation charges		160,289	141,530
Impairment Charges		1,406,227	-
Change in bad debt provision		16,255	6,548
Change in debtors		4,655	(16,322)
Change in creditors		151,856	(111,346)
Net cash inflow from operating activities		<u>1,732,194</u>	<u>1,316,004</u>
Reconciliation of net cash flow to movement in net debt			
Decrease in cash in the period		(211,890)	(49,153)
(Decrease)/Increase in current asset investments		(1,536,675)	262,121
Decrease in bank loans		<u>428,338</u>	<u>15,592</u>
Change in net debt	19	(1,320,227)	228,560
Net debt at start		<u>3,865,880</u>	<u>3,637,320</u>
Net debt at end		<u>2,545,653</u>	<u>3,865,880</u>

The notes on pages 23 to 30 form an integral part of these financial statements.

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

1. Principal Accounting Policies

Empowering People Inspiring Communities Limited is incorporated under the Companies Act 1985 as a company limited by guarantee without share capital and is registered with the Homes and Communities Agency as a Registered Provider as defined by the Housing and Regeneration Act 2008 and the Charity Commission.

(a) Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and Statements of Recommended Practice. The financial statements comply with the Companies Act 2006, the Housing and Regeneration Act 2008, the Accounting Direction for Social Housing in England 2012 and the Statement of Recommended Practice: Accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation.

The financial statements are prepared under the historical cost convention, as modified by the revaluation of housing properties.

(b) Turnover

Turnover represents rents and revenue grants receivable in respect of tenant's properties and amounts invoiced in respect of the provision of services. It also includes grants reimbursing specific expenditure on regeneration projects and income from consultancy work undertaken.

(c) Housing Properties

Completed housing properties are stated at valuation on the basis of existing use for social housing as at 31 March 2015.

Freehold land is not depreciated.

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

Depreciation is charged on a straight-line basis after taking into account social housing grant over the asset's expected economic useful life as shown below:-

Component	UEL	
Housing structure	100	years
Roofs	50	years
Windows	30	years
Bathrooms	30	years
Kitchens	20	years
Boilers	12	years
Heating Distribution Systems	24	years

(d) Social Housing Grant and Other Capital Grants

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

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

(e) Other Tangible Fixed Assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on a straight-line basis, at rates considered appropriate to write off the assets over the effective working lives as follows:

- Freehold offices – 50 years
- Office furniture – 10 years
- Office equipment – 4 years
- Tools and Equipment – 2 years
- Computer Equipment – 2 years
- Solar panels – 25 years

(f) Improvements to Housing Properties

The Registered Provider capitalises expenditure that results in the enhancement of the economic benefit of its properties by increasing the net rental stream over the life of the property. Such an increase may arise through:-

- i) an increase in rental income;
- ii) a reduction in future maintenance costs;
- iii) a significant extension of the life of the property.

(g) Capitalisation of Interest and Administration Costs

No interest or administration costs are capitalised.

(h) Revaluation Reserve (Note 13)

This has arisen due to the revaluation of properties as set out in note 6 of the financial statements.

(i) Investments

Investments held as Fixed Assets are stated at cost. Investments held as current assets are carried at market value.

(j) Pension Costs

The Company participates in the Social Housing Pension Scheme. As the Pensions Trust is unable to identify the Company's underlying share of assets and liabilities, the Company has accounted for contributions made to the Social Housing Pension Scheme as if it were a defined contribution scheme. The disclosures in the accounts follow the requirements of FRS 17.

(k) Taxation

The Company gained charitable status on 2 April 2008 and therefore its general activities fall outside the scope of the United Kingdom Corporation Taxation legislation.

(l) Leasing

Rentals paid under operating leases are charged to the Income and Expenditure account as incurred.

(m) Provisions

The Company only provides for contractual liabilities.

(n) Impairment

Reviews for impairment of housing properties are carried out on an annual basis and any impairment in an income generating unit is recognised by a charge to the income and expenditure account. Impairment is recognised where the carrying value of an income generating unit exceeds the higher of its net realisable value or its value in use. An income generating unit could be a single property, but it is normally a group of properties whose income and expenditure can be separately identified. Impairment reviews are carried out on assets whose useful economic lives are expected to exceed 50 years in accordance with Financial Reporting Standard 11.

Notes to the Financial Statements
For the Year Ended 31 March 2015 (continued)

2a. Particulars of turnover, operating costs and operating surplus

2015	Turnover	Operating Costs	Operating surplus /(deficit)
	£	£	£
Social housing lettings (Note 2b)	3,472,865	3,479,953	(7,088)
Other social housing activities	-	-	-
	<u>3,472,865</u>	<u>3,479,953</u>	<u>(7,088)</u>
Memo only:			
Non-social housing activities	-	-	-
Total	<u>3,472,865</u>	<u>3,479,953</u>	<u>(7,088)</u>
2014	Turnover	Operating Costs	Operating surplus /(deficit)
	£	£	£
Social housing lettings (Note 2b)	3,267,404	1,971,810	1,295,594
Other social housing activities	-	-	-
	<u>3,267,404</u>	<u>1,971,810</u>	<u>1,295,594</u>
Memo only:			
Non-social housing activities	-	-	-
Total	<u>3,267,404</u>	<u>1,971,810</u>	<u>1,295,594</u>

2b. Particulars of Income and Expenditure from Social Housing Lettings

	2015 £	2014 £
Income		
Rent receivable excluding service charges	3,361,872	3,142,560
Service charges receivable	110,993	124,844
Other revenue grants	-	-
Turnover from social housing activities	<u>3,472,865</u>	<u>3,267,404</u>
Expenditure		
Management	1,253,445	1,153,174
Service charge costs	114,879	109,993
Routine maintenance	227,422	318,479
Planned maintenance	49,537	59,043
Major repairs expenditure	241,437	166,056
Bad debts	36,565	32,683
Depreciation of housing properties	150,441	132,382
Impairment of housing properties	1,406,227	-
Other Costs	-	-
Operating costs on social housing activities	<u>3,479,953</u>	<u>1,971,810</u>
Operating surplus/(deficit) on social housing activities	<u>(7,088)</u>	<u>1,295,594</u>
Void losses	<u>21,851</u>	<u>23,837</u>

3a. Interest Receivable

	2015 £	2014 £
Bank interest	<u>21,146</u>	<u>34,967</u>

Notes to the Financial Statements
For the Year Ended 31 March 2015 (continued)

3b. Interest Payable and Similar Charges	2015 £	2014 £
Bank loan early redemption	131,947	-
Bank interest	<u>26,945</u>	<u>31,297</u>
	<u>158,892</u>	<u>31,297</u>

4. Taxation on Surplus on Ordinary Activities

As a registered charity, the Company is not liable to United Kingdom Corporation Taxation on its charitable activities.

5. Surplus for the Year	2015 £	2014 £
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Is stated after charging/(crediting)-

Auditors remuneration (excluding VAT)		
In their capacity as auditors	7,936	8,240
In respect of other services	4,272	6,156
Deficit on disposal of other fixed assets	-	-
Unrealised deficit on revaluation of housing properties	-	-
Impairment of housing properties	1,406,227	-
Depreciation of housing properties	150,441	132,382
Depreciation of other fixed assets	9,848	9,147
Operating lease payments	6,930	9,340

6. Fixed Assets – Housing Properties at valuation

	Housing Properties Completed £	Land and Property Held for Development £	Total £
Cost or valuation			
At 1 April 2014	15,180,000	26,000	15,206,000
Additions New Properties	3,403,834	-	3,403,834
Additions Capitalisation of Components	258,461	-	258,461
Depreciation	(150,441)	-	(150,441)
Social Housing Grant	(757,166)	-	(757,166)
Impairment	(1,406,227)	-	(1,406,227)
Revaluation	<u>521,539</u>	<u>-</u>	<u>521,539</u>
As at 31 March 2015	<u>17,050,000</u>	<u>26,000</u>	<u>17,076,000</u>

Cost or valuation of Housing properties is represented by:-

Gross cost	10,006,334
Depreciation charge	432,866

Less:

Social Housing and other capital grants	(1,390,761)
Depreciation	(1,419,795)
Impairment	(2,113,392)
Revaluation Reserve	<u>11,560,748</u>

17,076,000

Savills (UK) Limited, part of the Savills Group, is a general practice firm providing surveying and valuation services across the country. The valuer is 'external' and our valuation is at 31 March 2015.

Notes to the Financial Statements
For the Year Ended 31 March 2015 (continued)

6. Fixed Assets – Housing Properties at valuation (continued)

The valuation of £17,050,000 (Seventeen million and fifty thousand pounds) has been made in accordance with the current RICS Professional Standards and takes into account in respect of the social rented stock the Rent Restructuring Regime applicable from 2002 onwards and the new provisions for rent increases at CPI +1% from 2015/16 onwards which was the prevailing rent regime at the balance sheet date. The regime has subsequently been revised and is likely to impact on the future valuation of housing properties.

It should be noted that future growth in both capital and rental values may not occur and values can fall as well as rise.

In accordance with the requirements of the Royal Institution of Chartered Surveyors Valuation – Professional Standards dated March 2012; the land and property held for development has been valued on the market value basis as at 18 December 2012. The property was inspected by Paul S Tomkinson BSc (Hons.) MRICS, RICS Registered Valuer.

Works to Existing properties in the year:	2015 £	2014 £
Capitalised as above	258,461	157,616
Expensed	<u>49,537</u>	<u>59,043</u>
Total for year	<u>307,998</u>	<u>216,659</u>

7. Post Balance Sheet Event

The Government announced in the budget, on 8th July 2015, that Housing Associations will be required to reduce rents by 1% per annum from April 2016. This is obviously a departure from the previous rent structure regime and as such it will have a significant impact on the valuation of the Company's housing properties. The full value of the impact has yet to be quantified.

8a. Fixed Assets - Other Tangible Fixed Assets

	Freehold Offices £	Office Furniture and Equipment £	Total £
Cost or Valuation			
At start of the year	127,818	207,273	335,091
Additions	-	9,546	9,546
Disposals	-	-	-
Revaluation	-	-	-
At end of the year	<u>127,818</u>	<u>216,819</u>	<u>344,637</u>
Depreciation and Impairment			
At start of the year	29,795	189,685	219,480
Charge for year	1,977	7,871	9,848
Disposals	-	-	-
At end of the year	<u>31,772</u>	<u>197,556</u>	<u>229,328</u>
Net Book Value at End of the Year	<u>96,046</u>	<u>19,263</u>	<u>115,309</u>
Net book value at Start of the Year	<u>98,023</u>	<u>17,588</u>	<u>115,611</u>

In accordance with the requirements of the Royal Institution of Chartered Surveyors Valuation – Professional Standards dated March 2012; the freehold offices have been valued on the Existing Use Value basis as at 18 December 2012. The property was inspected by Paul S Tomkinson BSc (Hons.) MRICS, RICS Registered Valuer.

Notes to the Financial Statements
For the Year Ended 31 March 2015 (continued)

8b. Investments

	Investment in subsidiary £
Cost	
At start of the year	1
Additions in the year	<u>-</u>
At end of the year	<u>1</u>
Net Book Value at End of the Year	<u>1</u>
Net book value at start of the year	<u>1</u>

The Company owns 100% of the issued share capital of Epic Regeneration Services Limited, a company incorporated in England and Wales. This Company has aggregate capital and reserves of £1 and has been dormant since incorporation.

Under the provision of section 371 of the Companies Act 2006 the Company is exempt from preparing consolidated accounts and has not done so. Therefore these accounts show information about the Company as an individual entity.

	2015 £	2014 £
9. Debtors		
Amounts falling due within one year:		
Rent arrears	83,929	84,427
Less: provision for bad debts	<u>(63,490)</u>	<u>(48,998)</u>
Net rent arrears	20,439	35,429
Prepayments, other debtors and accrued income	<u>129,620</u>	<u>135,541</u>
	<u>150,059</u>	<u>170,970</u>
10. Current Asset Investments	2015 £	2014 £
Unlisted investments	<u>2,063,899</u>	<u>3,600,574</u>
11. Cash at bank and in hand	2015 £	2014 £
Cash at bank	<u>481,754</u>	<u>693,644</u>
12. Creditors	2015 £	2014 £
Amounts falling due within one year:		
Trade creditors	192,533	73,065
Taxation and social security payable	-	-
Accruals and deferred income	256,864	241,286
Rent prepaid	65,059	48,249
Bank Loans	<u>-</u>	<u>16,836</u>
	<u>514,456</u>	<u>379,436</u>

Notes to the Financial Statements
For the Year Ended 31 March 2015 (continued)

13. Creditors	2015 £	2014 £
Amounts falling due after more than one year:	<u>-</u>	<u>411,502</u>
Loans repayable by instalments:-		
In two to five years	-	80,220
In five years or more	<u>-</u>	<u>331,282</u>
Total	<u>-</u>	<u>411,502</u>

The loan, which was repaid during the year, was secured by specific charges on the Company's housing properties and a fixed charge over the entire undertaking and is repayable at a fixed rate of 6.24% plus a margin of 0.9%

14. Other Reserves	Freehold Office Revaluation £	Housing Property Revaluation £	Total Revaluation Reserve £	Income and expenditure account £	Total £
At start of the year	64,288	11,099,386	11,163,674	7,832,188	18,995,862
Transfer for the year	(1,530)	(60,177)	(61,707)	61,707	-
Surplus/(deficit) on Revaluation	-	521,539	521,539	-	521,539
Surplus/(deficit) for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(144,834)</u>	<u>(144,834)</u>
At end of the year	<u>62,758</u>	<u>11,560,748</u>	<u>11,623,506</u>	<u>7,749,061</u>	<u>19,372,567</u>

15. Capital Commitments	2015 £	2014 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>-</u>	<u>-</u>
Capital expenditure that has been authorised by the committee of management but has not yet been contracted for	<u>-</u>	<u>-</u>

16. Pension Obligations

Empowering People Inspiring Communities Limited participates in 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 from 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 actuarial 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 liabilities of £1,035 million, equivalent to a past service funding level of 67%.

The Scheme Actuary is currently finalising the 2014 valuation but key provisional results have been confirmed. As at 30 September 2014, the market value of the Scheme's assets was £3,123 million. There was a shortfall of assets compared with the value of liabilities of £1,323 million, equivalent to a past service funding level of 70%.

Notes to the Financial Statements
For the Year Ended 31 March 2015 (continued)

16. Pension Obligations (continued)

Empowering People Inspiring Communities Limited has been notified by the Pensions Trust of the estimated employer debt on withdrawal from the Social Housing Pension Scheme based on the financial position of the Scheme as at 30 September 2014. As of this date the estimated employer debt for Empowering People Inspiring Communities Limited was £2,903,227 (2014: £2,332,574).

17. Directors Emoluments

	2015 £	2014 £
The aggregate emoluments paid to or receivable by Directors	<u>297,397</u>	<u>235,551</u>
The emoluments paid to the highest paid Director excluding pension contributions:	<u>110,501</u>	<u>106,045</u>

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by the Company of £10,056 (2014: £9,744) was paid in addition to the personal contributions of the Chief Executive.

Directors are defined as the members of the Board (who do not receive any remuneration) and the Chief Executive, Finance Director, Housing Director, Systems Manager and Asset Manager.

18. Employee Information

	2015 No	2014 No
The average weekly number of full time equivalent employees was:		
Management	5	4
Administration	14	14
Maintenance	-	-
Total employees	<u>19</u>	<u>18</u>

Full time equivalents are calculated on a standard working week of 37 hours

	2015 £	2014 £
Staff costs (for the above persons)		
Wages and salaries	594,990	551,600
Social Security costs	52,024	50,507
Other pension costs	<u>99,261</u>	<u>99,526</u>
	<u>746,275</u>	<u>701,633</u>

Aggregate number of full time equivalent staff whose remuneration exceeded £60,000 in the period:

	2015 No	2014 No
£100,000 to £110,000	-	1
£110,000 to £120,000	1	-

Notes to the Financial Statements
For the Year Ended 31 March 2015 (continued)

19. Cash Flow Statement Notes

	2015 £	2014 £	
Returns on investments and servicing of finance			
Interest Received	21,146	34,967	
Interest paid	<u>(158,892)</u>	<u>(31,297)</u>	
	<u><u>(137,746)</u></u>	<u><u>3,670</u></u>	
	At start of year £	Cash-flows £	At end of year £
Analysis of net funds			
Cash in hand, at bank	693,644	(211,890)	481,754
Current asset investments	3,600,574	(1,536,675)	2,063,899
Debt due within 1 year	(16,836)	16,836	-
Debt due after 1 year	<u>(411,502)</u>	<u>411,502</u>	<u>-</u>
Total	3,865,880	(1,320,227)	2,545,653

20. Operating Leases

The Company holds office equipment under non-cancellable operating leases. At the end of the year the Company had annual commitments under these leases as follows:-

	2015 £	2014 £
Others, which expire: -		
Expiring within the next year	-	7,005
Expiring in the second to fifth year	4,166	-
Expiring in more than five years	<u>-</u>	<u>-</u>
	<u>4,166</u>	<u>7,005</u>

Notes to the Financial Statements
For the Year Ended 31 March 2015 (continued)

21. Units	2015 No.	2014 No.
Social Housing		
Under management at end of year		
General Needs – Social Housing	963	951
General Needs – Affordable Housing	45	17
Managed by Others	8	8
Leaseholders	<u>22</u>	<u>22</u>
	<u>1,038</u>	<u>998</u>

22. Related Parties

The following are related parties:

- The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage.
- The Board has Local Authority Council members. Transactions with the Local Authority are at arm's length on normal commercial terms. Councillors cannot use their position to their advantage.
- Under the Code of Conduct for Board Members no member can use their position to their advantage.
- Epic Regeneration Services Limited, a company registered in England and Wales, is a 100% subsidiary of the company. Epic Regeneration Services Limited was dormant throughout the current and previous financial period.

23. Social Housing Grant	2015 £	2014 £
The total accumulated SHG received or receivable at the balance sheet date from both capital and revenue sources	<u>1,390,761</u>	<u>633,595</u>