

Rochdale Boroughwide Housing
Report and Financial Statements

For the year ended 31 March 2018

Community Benefit Society
Registration No: 31452R.

Registered Housing Provider No: 4607.

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LEGAL STATUS

The society is registered with the Financial Conduct Authority under the Co-operative and Community Benefits Societies Act 2014 and is registered with the Regulator of Social Housing (RSH) as a social housing provider.

ADMINISTRATIVE DETAILS

| | |
|--------------------------------|---|
| RSH registration number | 4607 |
| FCA Registration Number | 31452R |
| Registered office | Sandbrook House, Sandbrook Way, Rochdale, OL11 1RY |

Executives and advisors

Board

** Attendance figures are for Board, Committee and Subsidiary Board attendance.*

Appointed Non-Executive Directors:

Philip Brown – is Professor of Social Change and Director of the Sustainable Housing & Urban Studies Unit (SHUSU) at the University of Salford. He has been at the University since 2005. His work focuses on addressing a range of societal issues by providing an evidence base for effective policy making at the local, regional, UK and European levels.

Attendance 92%

Noel Chambers (Board Chair) Retired September 2017 - has worked in social housing for over 25 years for registered provider's, mainstream and stock transfer, Council and ALMOs, working in Maintenance, Asset Management and Regeneration roles.

Attendance 100%

Angela Lomax (Chair of the HR and Governance Committee) Retired September 2017 - is a Director of the David Tolson Partnership. Previously a Director at Savills and Tribal Consulting. She has over 20 years' experience within the public and private sector, including working for Oldham Council, a North West based housing association and 3 years in a regulatory role with the Housing Corporation.

Attendance 100%

Lee Sugden (Chair of the Audit Committee) Retired September 2017 - is Chief Executive of Salix Homes in Salford, Greater Manchester. After training as an accountant in the NHS, he chose a career in Housing 15 years ago. Lee champions delivering high value services through the most effective business systems.

Attendance 66%

Luen Thompson - has a career spanning some 21 years in the voluntary sector with sector leading organisations such as NSPCC and Barnardo's where she has worked extensively on fundraising projects to support disadvantaged children and young people.

Attendance 90%

ADMINISTRATIVE DETAILS continued

Asrar Ul-Haq - Having graduated with an Honours Degree in Applied Sciences, Asrar joined the police service and served almost half his career in Rochdale gaining an understanding of the community he lives in. He is currently the Director of Armann Consultants Ltd, he is a member of the University of Manchester General Assembly and also a member of the Advisory Committee to the Lord Chancellor. Asrar was the recipient of a Home Office award for innovation and a national award for leadership. He was invited to sit on Her Majesty's Honours sub committees and sat on the steering committee for Cancer Research UK. He was also a parent Governor at Rochdale Sixth Form College.

Attendance 66%

Alison Tumilty (Board Chair) (joined in September 2017) – Having qualified as a Chartered Accountant with Ernst and Young in Manchester, Alison began her career as a finance director in property in development. She then went on to become Deputy Chief Executive of Rathbone, a UK wide charity supporting disadvantaged young people, to develop their employment and life skills through education. Alison then went on to be Group Finance Director at Your Housing Group, a large registered provider based in Warrington. Alison has held a number of non-executive roles in education and housing and is currently a Non-executive Director at North West Boroughs Healthcare. She believes passionately in the need for social housing, community development and regeneration.

Attendance 100%

Paul Joyce (Chair of the Human Resources and Governance Committee and Deputy Chair) (joined in September 2017) – Paul is a social research analyst in Manchester. He previously worked as a research fellow at a number of north west universities. He is a sociologist who specialises in the understanding of risk management, health policy and the production of social value. Paul has a PhD from the University of Salford and a postgraduate qualification in social research methods and statistics from the University of Manchester.

Attendance 88%

Guy Millichamp (Chair of the Audit Committee) (joined in September 2017) – Guy is a finance director for Yorkshire Housing based in Leeds. After training as an auditor, Guy has worked in the charity, education and housing sectors for nearly 30 years in a variety of financial management roles. The common thread has been a desire to make sure that each organisation is run in the best possible way in order to deliver the best possible outcomes for the people that those organisations serve.

Attendance 87%

Executive Directors:

Gareth Swarbrick (Chief Executive) – has worked for Oldham Council and Rochdale Council for 15 years. He moved into housing management in 1990 and between 1996 and 2002 worked in Rochdale Council's Housing Strategy Unit. Gareth began working for RBH in 2002 and was appointed Chief Executive in December 2008 and from 2009 onwards led a process which culminated in the transformation of RBH into the UK's first tenant and employee-owned mutual housing society to which the Council transferred its 13,700 homes on 26 March 2012.

Attendance 63%

Nickie Hallard (Deputy Chief Executive) – A qualified Management Accountant, joined RBH as Director of Resources in June 2009, having moved from Incommunities, Bradford's transfer housing association where she held the post of Financial Controller. Before moving into housing Nickie had a varied career in local government, retail and financial services.

Attendance 100%

ADMINISTRATIVE DETAILS continued

Co-opted to Committees:

James Bell - Originally from Northern Ireland, James achieved a BA Honours degree in Accounting and Finance from Newcastle University. After this James joined the graduate programme at Baker Tilly where he qualified as a Chartered Accountant. While at Baker Tilly the audits undertaken by James and his team covered a wide range of companies including construction, further education establishments and social housing providers.

Attendance 75%

Cliff Mills (Joined 17th August 2017) – Cliff writes constitutions and gives governance advice to co-operative and mutual organisations, both in the traditional co-operative sector, and in public services. He helped to design and set up the arrangements for RBH when it was established as a mutual. He joined the HR and Governance Committee in 2017. Cliff is Principal Associate in Mutuo, the mutuals consultancy, and he works with Anthony Collins Solicitors as a consultant on co-operative and mutual work.

Attendance 67%

Michelle Carr (Joined September 2017) – Michele spent most of her working career at Oldham Council and took on a variety of roles including environmental policy, local economic development and regeneration. She was also the lead for Greater Manchester Devolution for Oldham working alongside the Chief Executive and elected members in their decision making and strategy roles.

Attendance 100%

Representative Body

Council Representatives

Wendy Cocks

Peter Rush

Sultan Ali

Ali Ahmed

Tenant Management Organisation Appointed Representatives

Lynne Brosnan – Turf Hill TMO (*Chair of Representative Body*)

Tenant Representatives

Frank Altham

Anne Black

Andrew Brown (*temporary position from March 2018*)

Peter Brown

Martin Burke

Rachel David (*re-elected and commenced second term September 2017*)

David Fenwick-Finn (*re-elected and commenced second term September 2017*)

Tony Heaford (*resigned October 2017*)

Meg Holland (*until February 2018*)

Andrew Johnson Oleweseun Oginni (*Filled vacant position from October 2017*)

Sue O'Donovan

Pamela Radcliffe

Andrew Roche (*elected and commenced first term of office September 2017*)

Jane Taylor (*elected and commenced first term of office September 2017*)

Roger Trueman (*Retired September 2017*)

Sue Watson (*elected and commenced first term of office September 2017*)

Sharon Worsley

ADMINISTRATIVE DETAILS continued

Employee Representatives

Phil Cole (*Resigned November 17*)

Lesley Dobson

Stephen Edwards (*retired September 2017*)

Matt Graham (*resigned January 2018*)

Julie Greenwell

Sean Landsborough

Bryan Porter (*elected and commenced second term of office September 2017, resigned October 2017*)

Bramly Scott (*resigned September 2017*)

Jonathan Walton (Vice Chair) (*elected and commenced first term September 2017*)

Dylan Williams (*filling vacant position from October 2017*)

David Bulcock (*filling vacant position from November 2017*)

Jade Toft (*filling vacant position from March 2018*)

Matthew Watson (*filling vacant position from October 2017*)

Chief Executive

Gareth Swarbrick

Executive Management Team

Nickie Hallard – Deputy Chief Executive and Director of Resources

Clare Tostevin – Director of Growth

Cath Owston – Director of Customer and Communities

Rowena Kirk – Director of Transformation (from 11 June 2018)

Secretary

Edward Carpenter (until September 2017)

Bethan Jones (from September 2017)

Bankers

Natwest,

11 Spring Gardens,

Manchester,

M2 1FB

Funders

RBS

3rd Floor, Kirkstane House,

139 Vincent Street,

Glasgow,

G2 5JF

Santander

2 Triton Square,

Regent's Place,

London,

NW1 3AN.

ADMINISTRATIVE DETAILS continued

Solicitors

RBH has its own legal team based in Sandbrook House

Trowers & Hamlins LLP,
Heron House,
Albert Square,
Manchester,
M2 5HD

Auditors

BDO LLP,
3 Hardman Street,
Spinningfields,
Manchester,
M3 3AT

Internal Auditors

RSM,
3 Hardman Street,
Manchester,
M3 3HF

CHAIR'S STATEMENT

I am very pleased to have joined RBH as its new Chair from 12th September 2017 at our main members' event of the year, our Annual Members Meeting. On behalf of all our members I extend my thanks to my predecessor Noel Chambers who led RBH from its creation as a Society, through mutualisation and its first five years.

I have joined at a very exciting time, as working with our members and Representative Body, the Board have agreed our new 5 year Corporate Strategy, 'Together', which sets out an ambitious plan for the future, committed to and building on our mutuality; Growing Together to ensure that we have the right mix and quality of homes; Thriving Together to help tenants of all ages meet their hopes and aspirations and Improving Together with a clear focus on improving performance in our core areas of business and improving on the value for money we provide to our tenants. At the end of March 2018 we have seen a continued growth in membership and are pleased to report we have almost 5,000 tenant members (33%) and 483 employee members (81%).

During the year, we invested £11m to upgrade our tenants' homes. This included providing new kitchens, bathrooms, windows and doors as well as new central heating systems. Feedback from tenants after the work has been completed has shown that 94% are either satisfied or very satisfied with the works.

RBH's commitment to build 79 new homes through the Homes and Communities Agency Affordable Homes Programme 2015 - 2018 has continued with the delivery of 11 new homes on Daventry Road in Kirkholt. In addition work is ongoing with the development of 19 new 2 bed homes on Lower Falinge as part of our commitment to Town Centre regeneration, due for completion later in 2018. Finally 16 2 bed flats, 8 retail units and a community hub are being built at The Strand in Kirkholt, with these ambitious plans due for completion early summer 2018.

We are now starting work on our commitments through the Homes England Shared Ownership Affordable Housing Programme for 2017-21 which will see RBH build a further 99 new homes including a third new build scheme at Lower Falinge and RBH's first shared ownership scheme which will provide 25 new homes at Abbey Road in Middleton.

Work to shape our ambitious plans to regenerate the Town Centre continues with the first phase Strategic Master-planning being completed by Levitt Bernstein and GVA, in conjunction with Aecom and the Council. We have now agreed with the Council the scope for the second stage of master-planning, which includes work with the RSA to develop our approach to supporting Lower Falinge and College Bank residents into employment and to progress in their career.

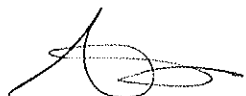
During the year we have been involved in helping to address many difficult challenges, for example RBH has been working with Greater Manchester (GM) Housing Providers on a number of initiatives designed to support the Mayor's pledge to drastically reduce rough sleeping and develop a 10 year homelessness strategy. We are part of a GM Housing Providers' Social Impact Bond (SIB) bid which will receive £1.8m of investment funding designed to help the most entrenched rough sleepers, including in Rochdale.

CHAIR'S STATEMENT continued

RBH is a member of the Confederation of Co-operative Housing (CCH). Earlier this year, along with six other larger mutual CCH members, we worked with CCH to produce a report on the impact made by mutual housing associations. This report, Mutuality and Accountability in the Housing Association Sector, was launched in Parliament on 29 November. Given some of the fundamental questions being asked following the tragic fire at Grenfell this report makes some interesting observations on the heightened accountability our governance model provides.

In addition we and our tenants are dealing with the continued impacts of Welfare Reform. Whilst some of the recent policy changes have gone some way to help mitigate some of the most challenging aspects of the proposed policy, the roll out of Universal Credit continues, with full Universal Credit planned in Rochdale for May 2018. We are working closely with peer organisations who have already moved over to the new system. Indications from this group are that they have seen a fall in rent collection rates to around 70% - 80% for these tenants, which will clearly have a very significant issue on the cash flow of the Society. Our Rents and Payments team have been working hard to implement new systems and ways of working and our business plan makes prudent assumptions around the potential short term impact. Work continues to help support our tenants through these changes.

My personal thanks extend to all of our members, our Representative Body, our Board, employees, tenants and partners (in particular the Council) for their continued support throughout the year and look forward to celebrating our 5th Anniversary as a mutual on 26th June 2018.



Alison Tumilty

Chair

REPORT OF THE BOARD OF MANAGEMENT

NATURE OF BUSINESS

Activities

RBH's principal activity is the letting of social housing. RBH is a registered provider of social housing with the Regulator of Social Housing (RSH) and a Community Benefit Society. A stock transfer took place on 26th March 2012, whereby Rochdale Borough Council transferred 13,712 properties to RBH that were previously managed by the company. RBH became a mutual housing society, owned by its tenant and employee members, on 26th June 2013.

Group Structure

The RBH Group includes the following subsidiaries:

Safegard Solutions Ltd (SSL) is a wholly owned subsidiary of RBH, with RBH having taken full control of the company in April 2017. It was incorporated on 2 October 2007 and commenced trading in 2009 with its main purpose being to provide security for our communities (company number 06387991). SSL has its own board of directors who are responsible for agreeing the strategic direction of the Company within parameters set by RBH. The Board met 2 times during the financial year.

RBH Professional Limited is a private company limited by shares with its own board of directors, set up to undertake trading activities outside of the new RBH's charitable objectives in order to generate additional income to support work in our communities. It was incorporated on 12 October 2011 (company number 07807329), and completed its first trading activity during 2013-14. The Board agreed that the company would cease trading during the 2015-16 financial year and become dormant and as such the company has not undertaken any projects in 2017-18.

RBH (Design and Build) Limited is a private company limited by shares with its own board of directors, undertaking the design and build of new homes for RBH Limited. 96 units have been completed as part of the 2011 – 2015 Affordable Housing Programme and funding has been secured from Homes England's 2015-2018 and 2017-21 programmes which will provide for the development of 79 further homes across the borough for a range of affordable tenures, including shared ownership and rent to buy. This subsidiary was incorporated on 23 December 2011 (company number 7891824). The Board met three times during the financial year.

All group companies have banking arrangements during the financial year with NatWest Bank and SSL with Barclays Bank. BDO are the external auditors of the group accounts. Separate accounts are submitted to Companies House for RBH (Design & Build) Limited, RBH Professional Limited and SSL.

REPORT OF THE BOARD OF MANAGEMENT continued

Description

The RBH Group has the following mix of homes in ownership and development:

| | RBH Group | | RBH Limited | |
|---------------------------|---------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| Properties in development | 35 | 46 | 35 | 46 |
| General needs | 11,976 | 12,107 | 11,976 | 12,107 |
| Supported housing | 969 | 967 | 969 | 967 |
| Shared ownership | 9 | 9 | 9 | 9 |
| Non social housing | 35 | 35 | 35 | 35 |
| Total | 13,024 | 13,164 | 13,024 | 13,164 |

All the stock is located in the borough of Rochdale. The stock is predominantly general needs and only 1% is considered not to be compliant with the Decent Homes Standard.

Regulation

In common with other Registered Providers, RBH are regulated by the social housing regulator (The – Regulator of Social Housing - RSH). It is required to comply with the RSH's regulatory code. Capital grant is administered by Homes England.

The Regulatory Framework is based on the principle of co-regulation. RBH's unique model is well placed to ensure that there is collective responsibility between its members and Board for the quality of service delivery and meeting the standards. The model is grounded in the principles of openness and accountability which enables co-regulation to genuinely operate in the interests of tenants.

RBH undertakes a quarterly self assessment of its own compliance with the 3 economic standards and the 4 consumer standards prescribed within the regulations. RBH has been rated by the RSH as G1, V2, which the Board considers appropriate given our social purpose.

Certification of Compliance with RSH Governance and Financial Viability Standard

The RSH regulatory framework released in April 2015, had the following new requirement:

2.8 Registered providers shall assess their compliance with the Governance and Financial Viability Standard at least once a year. Registered providers' boards shall certify in their annual accounts their compliance with this Governance and Financial Viability Standard.

The Board has undertaken this assessment and is satisfied that the Society is compliant with the RSH's Governance and Financial Viability Standard.

REPORT OF THE BOARD OF MANAGEMENT continued

Employment of Disabled Colleagues

RBH is accredited as a Disability Confident Employer. As an employer we:

- (a) Guarantee an interview for all disabled applicants if they meet the essential requirements on the job profile;
- (b) Discuss with disabled employees how they can develop and use their abilities – this is undertaken through our one to one processes and Great Conversations;
- (c) Make every effort to retain an employee who becomes disabled – the Society will give appropriate support to anyone who needs to redeployed into an alternative role. The Society will also supports phased return to work and will consider reasonable adjustments to existing roles to support a return to work;
- (d) Make employees aware of disability issues – equality and diversity awareness programmes are run and everyone is required to attend. We have an active Employee Support Group to help colleagues with Dyslexia and other similar conditions in the workplace.

Employee Involvement

Employees are provided with regular updates on key information that impacts on the Society through a monthly newsletter, team meetings, regular messages on the Intranet and circulation of key messages via the all user e-mail system.

Key changes to structures and policies are always subject to formal consultation with the trade unions at the Society's Consultation Group (SCG) and an Employee Engagement Group is in place in order to encourage participation in developing ideas and proposals for the benefit of all employees. Key Performance Data is published on a monthly basis on the Society's intranet and includes corporate as well as locally agreed indicators.

A monthly financial update is included in the Society's Core Brief to increase a greater understanding of the Society's financial position.

Equality and Diversity

RBH recognises that our members, tenants, employees, Representative Body members, Board members and partners come from many diverse backgrounds, bringing with them different experiences and needs. RBH is committed to ensuring all people, regardless of their background or personal characteristics feel included and have the opportunity and confidence to be heard and shape policies and operational practices.

We also recognise that some people experience discrimination, harassment and victimisation which can be as a result of, amongst other factors, their age, disability, ethnicity, race or national origin, gender, gender identity, sexual orientation, religion or belief. We also acknowledge that some people face multiple forms of discrimination.

We will work towards eliminating discrimination and promoting equality of opportunity. Our aim is that all members, tenants, employees, Representative Body members, Board Members and partners are valued and respected and their differences valued.

REPORT OF THE BOARD OF MANAGEMENT continued

In March 2017 the Board approved an ambitious strategy to build on our statutory compliance in this area and move towards excellence in inclusion. Over the last twelve months work in delivering the Action Plan attached to this strategy we have

- recruited a dedicated inclusion specialist to drive our ambition forward with specific expertise around dementia.
- reviewed our process for conducting Equality Impact Assessments (EqIAs) and fully embedded it within our procedures for developing Strategies, Policies, Procedures and Service Standards.
- held a number of awareness raising sessions including a full week of events for Inclusion Week in Sept 2017 which covered topics such as mental health, dyslexia, gender pay gap.

This strategy is being led by a Board Champion who has significant experience in leading delivery of equality and diversity within the workplace.

RBH VALUE FOR MONEY (VFM) STATEMENT 2017-18

Ensuring we maximise the value and quality of all our services is central to everything that we do at RBH. 2017/18 was the second year of the introduction of the 1% rent reduction. Our response to that – the Facing the Future Programme - identified ongoing savings of £6m from April 2018 which have been embedded in our business plan.

In achieving the £6m savings to ensure our ongoing viability; by renegotiating our finance; and by bidding for and securing Homes England grant to expand our new build offering into Rent to Buy and Shared Ownership; we have not let the 1% rent reduction limit our ambition to be a local anchor institution and to build on the economy of Rochdale through our mutual approach; our ambitions which are set out in our new Corporate Strategy 'Together', live from April 2018. Work is taking place during 2018 to ensure that our structures are aligned with 'Together' and relationships established are with other local partners to ensure that we are best placed to maximise on the deliver of our purpose.

The Improving Together theme of our new Corporate Strategy recognises that we need to change and improve the way we work with a clear focus on value for money to deliver services that our customers value whilst ensuring that RBH is a strong financially successful Society resilient to future challenges.

Our VfM Strategy, updated and approved by the Board in March 2018, supports 'Together' by ensuring value for money is at the heart of its delivery, whilst meeting the requirements of the regulator's new VfM Standard. We have always been committed to ensuring that we continue to deliver improvements to make the very best use of the income that we receive from tenants' rents and provide a high standard of service that meet their needs and priorities. 'Together' and the new VfM Strategy acknowledges the challenges we face in maintaining and improving our unit costs as our size reduces through sales and proactive asset management and this must be managed through ongoing efficiencies.

RBH VALUE FOR MONEY (VFM) STATEMENT 2017-18 continued

At RBH we see VfM as a balance of factors however; all of which are important and all may be vital and in developing the strategy. Our members rank them as follows:

1. Financial considerations
2. High quality homes, goods and services
3. Local social and economic benefits
4. Environmental issues

RBH's VfM Strategy 2016-2019 identified 3 strategic VfM priorities. These state that we will:

1. continue to reduce costs whilst maintaining quality
2. further embed the culture of VfM in RBH
3. maximise the return on our assets

The Board has a clear understanding of our cost base and how that compares to other peer organisations in the context of the environment in which we operate, and uses information on costs to make informed decisions that ensure we can deliver our vision in the most efficient way possible.

Our benchmarked position informs our Financial Strategy which sets out a series of financial ratios that we use to monitor our financial performance aligned to the golden rules that we use to manage our long-term financial planning and helps us achieve financial sustainability. These metrics align closely with the 7 VfM metrics that the regulator has included in the Technical Note to the new VfM Standard that are intended to allow comparison of VfM performance across the sector.

As well as reporting on these VfM metrics, the RSH also expects Registered Providers to measure performance in achieving VfM in delivering their strategic objectives – a bespoke suite of VfM metrics to show how we are using our resources and assets to optimum effect in the delivery of our new Corporate Strategy, Together.

Board members have previously commented that our VfM self-assessments lacked a true demonstration of the impact of our community investment activity and the social value it generates and therefore our new VfM Strategy adopts the key measures that have been developed in conjunction with other Greater Manchester Providers; measures which show how the delivery of Together contributes to the wider social, economic and environmental well-being of our communities. These measures cover:

- promotion of employment and economic sustainability
- raising the living standards of local residents
- building the capacity and sustainability of the voluntary and community sector and,
- promotion of environmental sustainability

In addition, RBH already uses two tools to calculate the social value impact of our work, Local Multiplier 3 (LM3) and Social return on Investment (SROI).

RBH VALUE FOR MONEY (VFM) STATEMENT 2017-18 continued

The table below sets out our full suite of core VfM metrics, showing how they link back to Together. Those with an asterisk by them (*) are the metrics required by the RSH.

VfM metrics

| Together Theme | VFM Metric | 2016/17 | 2017/18 | | |
|---|---|-------------------------|---------------------------------------|--------------------------------|--------|
| | | Actual | Target | Actual | |
| Growing We will deliver the right mix and quality of homes to make RBH communities strong and successful. | % new supply delivered * | 0.28% | - | 0.08% | |
| | % gearing * | 38% | Max 65% | 26% | |
| | % Re-investment * | 13.1% | - | 9.4% | |
| | Asset performance measure (to be defined)- note 1 | Not measured | Target from 2018/19 | TBD | |
| Thriving We will make the borough a great place to live and age. We will support people through life changes by offering new and tailored services. | Wellbeing rating of customers accessing RBH support services (Wemwbs score) | Not measured | Target from 2018/19 | 26.4 | |
| | Tenancy sustainment (based on reducing tenancy failure rate in first 6 months). | 8.84 | Target from 2018/19 | 8.15 | |
| Improving We will change and improve the way we work with a clear focus on value for money to deliver services that our customers value whilst ensuring that RBH is a strong financially successful Society resilient to future challenges. | % customer satisfaction as a landlord | 84.8% | Target from 2018/19 | 84.8 % | |
| | % tenants that believe their rent offers VfM | 84.9% | Target from 2018/19 | 84.9% | |
| | % tenants that believe their service charges offer VfM | 78.4% | Target from 2018/19 | 78.4% | |
| | Operating margin * | a) overall | 33% | Not < 5% of NW sector av (30%) | 36% |
| | | b) social lettings only | 27% | No target set | 34% |
| | Headline social housing cost per unit * | a) per FVA | £3,902 | No target set | £3,485 |
| | | b) adj – note 2 | £3,780 | £3,340 | £3,251 |
| | Management costs per unit (Financial Strategy target) – note 2 | a) per FVA | £1,214 | No target set | £1,213 |
| | | b) adj – note 2 | £1,090 | £1,070 | £979 |
| | Repairs costs per unit (Financial Strategy target) | £763 | £870 | £943 | |
| | Major repairs costs per unit (Financial Strategy target) | £1,420 | £890 (3 year whole sector average) | £821 | |
| | EBITDA MRI * | 128% | >100% | 247% | |
| Return on Capital Employed * | 3% | No target set | 3% | | |

RBH VALUE FOR MONEY (VFM) STATEMENT 2017-18 continued

| | | | | |
|--|---|-------|--------------------------|-------|
| Building Rochdale's Economy RBH, as one of the borough's most important employers and purchasers, has a key role in helping to directly build the local economy through delivering our strategy. | Local Multiplier 3 (LM3) | £1.85 | Targets to be determined | £2.02 |
| | Social return on Investment (SROI) | £1.88 | | £1.78 |
| | % spend with businesses based in Rochdale (GM social value pledge) | 38.1% | | 49.0% |
| | % employees paid (at least) living wage foundation level (GM social value pledge) | 100% | | 100% |
| | No. of residents supported into employment | 39 | | 11 |

Notes

1. It is intended to use our Asset Performance Evaluation (APE) model to develop an appropriate measure
2. The management costs per unit figure quoted in the Financial Viability Assessment (FVA) return is £1,213. Also quoted here is the figure of £979 which is excluding the impact of the FRS102 pensions accounting entry made at year end which is not an operating cost. We do not budget for the impact of this adjustment. The RSH have highlighted that this is an acceptable adjustment to make for internal analysis purposes.
3. The 2017/18 benchmark figures for our peer group will be available later in the year. Targets are reviewed and re-set annually by Board based on the latest available benchmarking information.

Commentary

Growing

Our Financial Strategy seeks to drive best value for money and use of resources by investing available savings in new build development activity. The % of new supply delivered in 2016/17 and 2017/18 reflect progress against our commitment to build homes under the Affordable Housing Programme (AHP) 2015-2018 and the Shared Ownership AHP 2017-2021, together with our ambitious plans at The Strand, Kirkholt. The new Corporate Strategy includes further plans for more direct development of new homes.

Our % gearing is comparable with the sector as a whole and is at a level that means we have additional capacity to borrow to develop as it is well within the level our funders are comfortable with (65%).

We are continuing to improve the quality of homes through the Improvement Programme and 99% of homes met the Decent Homes Standard at 31st March 2018. During 2017/18, we invested £11m to upgrade our tenants' homes and this together with investment in new supply represented 9% of the value of total properties held.

We use a tool developed by Savills to assess the 'return' or financial value we get from our homes. The detailed analysis of asset performance at Neighbourhood and property level informs our Growth Strategy and decision making at all levels in the Society including for our new Corporate Strategy. Board have previously agreed that Lower Falinge and College Bank are the priority neighbourhoods for the use of our strategic asset management budget. The Growth Strategy also incorporates robust

RBH VALUE FOR MONEY (VFM) STATEMENT 2017-18 continued

arrangements for health and safety including in respect of the risks around fire safety. Any lessons learnt from the Grenfell Tower incident that may impact on the tower blocks at College Bank will be reflected in the strategy in the future. The overall asset performance measure to be used to measure performance will be defined in 2018/19.

Thriving

We are measuring **wellbeing** of Independent Living Scheme (ILS) customers using the Wemwbs wellbeing score. This is a scoring system developed by Edinburgh and Warwick Universities and is used nationally across sectors. In 2017/18 the average score across all schemes was 26 which is 'Average' on a scale of Excellent, Good, Average, Below Average and Poor. The target board have agreed for 2018/19 is 27.0 which would take us into good.

The definition for our measure of **Tenancy sustainment** is terminations where the tenancy lasted less than 6mths as a % of all terminations. The target board have agreed for 2018/19 is 5%. The Neighbourhoods team have reviewed and re-designed the Welcome Visit and now identify any issues regarding future sustainability of the tenancy and categorise them as Personal Wellbeing, Financial Wellbeing or Tenancy Wellbeing & Responsibility. All Welcome Visits are carried out face to face, so that timely help and support can be given.

Improving

Overall **customer satisfaction** with all core services remains at lower level than the rest of the sector but within the 'typical range' for the sector of between 8 and 9 tenants out of 10 being satisfied with the service provided. We currently conduct a STAR survey every 3 years so the results shown are the same for both years and are from a survey carried out in late 2015/16. In 2018/19 we are moving STAR to a tracker survey so that we can react quicker to feedback and use it in the improvement of our services.

The North West (NW) sector average **operating margin** is 30% with RBH's margin exceeding this at 35% (our current target is to maintain an operating margin within 5% of the sector). These margins represent sound operational efficiency for an organisation like RBH and ensure we are able to continue to support a development programme despite the ongoing financial challenges posed by welfare reform and the 4 year 1% rent cut.

RBH has relatively high **headline costs per unit** compared to the sector median. RBH's overall costs per unit (adjusted for FRS102 pension costs) were £600 higher than the sector (North West) average in 2016/17 with the key drivers for this being management and major repairs cost per unit.

Management costs per unit: One of the key drivers for higher than average management costs identified by the RSH is neighbourhood deprivation where providers like RBH operate in neighbourhoods that are ranked in the 1% most deprived according to the Index of Multiple Deprivation. 19% of our homes are in the 1% most deprived Lower Super Output Areas (LSOAs); 34% in the 3% most deprived and 87% in the 31% most deprived LSOAs. The RSH has identified that for homes in such areas providers have costs on average £500 per unit higher than the median. Whilst

RBH VALUE FOR MONEY (VFM) STATEMENT 2017-18 continued

this provides assurance that RBH's unit costs for management are reasonable given the context in which we operate but we should of course seek to continue to drive improvements.

Repairs costs per unit are higher than target in 2017/18 (£943 compared to £870) as a result of bringing in house the former SSL Alarm maintenance service.

Major repairs cost per unit: The RSH unit cost analysis also concludes that providers that transferred less than 7 years ago have overall social housing costs per unit on average £1,500 per unit higher. Whilst RBH had higher major repairs costs up to 2017/18 reflecting the significant expenditure in the early years of our major investment programme, our unit costs have since fallen significantly now that the 5 year programme has been delivered (£821 in 2017/18 compared to £1,420 in 2016/17).

VFM gains in 2017/18: Ongoing cashable savings of £6m were delivered in full from 1st April 2018, as part of our 'Facing the Future' programme, established following the rent cut. Value for money has been integral to the development of our new Corporate Strategy. In order to maintain our unit costs, management and repairs cost savings targets totalling £1.6m split equally between management and repairs costs were set as part of the budget setting process for 2018/19, with plans in place to achieve this target and further plans in place to identify a further £2m savings by 2020-21.

EBITDA MRI (an abbreviation of earnings before tax, interest, depreciation and amortisation including an adjustment for capitalised maintenance costs) as a percentage of interest costs is another measure of financial strength demonstrating that now we have completed our first 5 years major works programme, we are generating surpluses that cover interest costs by a comfortable margin.

RBH is slightly below the median in terms of return on capital employed (**ROCE**) but still generating a reasonable return on the use of our capital and debt – low rents will depress the financial return that we can achieve and it is to be expected that as a more recent stock transfer we are showing a lower ROCE as the value of our asset base has had only a short time to depreciate after high levels of investment.

Building Rochdale's Economy

In November 2017 Rochdale Boroughwide Housing was selected as the first ever winner of the Employee Owned Positive Impact Award. This National Award recognises the approach and activities RBH undertakes to contribute to the wider social, economic and environmental well being of our communities and the Rochdale Borough. This award forms part of wide ranging approach by RBH to identifying and measuring what social impact we have as a mutual society.

Local Multiplier 3 (LM3) is a calculation to show RBH's economic impact on Rochdale. It tracks how our employees and local suppliers spend their money in Rochdale, and calculates how much money is put back into the local economy. Our LM3 score for 2017/18 was 2.02, which means that for every £1 spent with RBH, another £1.02 is generated for the Rochdale economy.

We applied the SROI calculation to our employability work to calculate the social value generated through things like traineeships, apprenticeships and volunteering opportunities. In 2017/18, the

RBH VALUE FOR MONEY (VFM) STATEMENT 2017-18 continued

SROI calculation showed that for every £1 invested by RBH in employability initiatives, £1.78 in social value was generated through improvements in people's well being, wealth and savings to the state.

Working with other Greater Manchester Housing Providers, we have agreed a series of other measures to show what social impact and value we create in our communities. A key element of our procurement strategy is to deliver social value and one of the ways we do this is by looking to procure goods and services locally. That way money spent is retained in the Rochdale Borough which brings added benefits as measured by LM3. In 2017/18, 49% of our expenditure was with businesses based in Rochdale compared to 38.1% last year. We continue to have 100% employees paid at least at living wage foundation level and have a range of initiatives to support residents into employment (11 in 2017/18 compared to 39 in 2016/17).

Forward Look

| RSH metric | 2018/19 target | 2018/19 budget | 2019-20 budget | 2020-21 budget |
|---------------------------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| % new supply delivered | - | 0.3% | 0.7% | 0.2% |
| % gearing | - | 23% | 21% | 17% |
| % re-investment | - | | | |
| Operating margin (note 1) | Not < 5% of NW sector av | 29% | 25% | 24% |
| Headline social housing cost per unit | - | £3,219 | £3,624 | £3,921 |
| Management costs per unit | Max £1,000 | £980 | £990 | £1,000 |
| Repairs cost per unit | £920 | £910 | £910 | £920 |
| Major repairs cost per unit | £860 | £730 | £740 | £860 |
| EBITDA MRI | >110% | 545% | 534% | 515% |
| ROCE | - | 12% | 9.7% | 8.8% |

Note 1: Calculation excludes surplus on sale of properties

The table above shows that the three year budgets from 2018-19 has met all the Financial Strategy targets with the exception of year 3 operating margin which reduces in the early years as a result of the final year of the rent cut and demolitions and falls below the target in 2020-21.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

The Directors acknowledge their ultimate responsibility for ensuring that the society has in place a framework for managing exposure to strategic and operational risks. RBH's Risk Management Strategy is designed to identify, analyse and treat all risks and lead to risk management being embedded into the RBH's culture. Regular reports on all significant risks faced by the society are received by the Audit Committee. The Board also receives a Risk report for consideration as a

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL continued

standing item at each meeting. The strategy is reviewed by Audit Committee and Board annually to ensure it remains fit for purpose. The RBH Design and Build Board have its own risk register which is reviewed every time the subsidiary's board meets.

Risk underpins the business planning process with a risk identification and analysis session being undertaken with all areas of the society. The output from these sessions is then used to challenge and update the existing risk registers. These are then reviewed and updated throughout the year by the Risk and Compliance Group which meets on a quarterly basis. The Risk and Compliance Group is attended by all Directors and Heads of Service, though all areas of the business are encouraged to review and challenge the registers and RSH Standards compliance trackers.

2017/18 was the third year of a 3 year contract with our internal auditors RSM (formerly Baker Tilly). Following a tender of the contract RSM have been re-appointed for a further 3 years from April 2018 with the option to then extend this for a further 2 years (5 years in total). Use of their online reporting tools, 4 Action and 4 Risk, is now fully embedded. As a result of this success RBH has also now taken on the associated 4 Policy programme which operates on the same platform.

Internal Control

It is also the Directors' responsibility to establish and maintain systems of internal control that are appropriate to the various business environments in which it operates. These controls are designed to give reasonable assurance with respect to:

- the reliability of financial information used within the society or for publication;
- the maintenance of proper accounting records;
- the safeguarding of assets against unauthorised use or disposal;
- preventing and/or detecting fraudulent activity;
- ensuring safe working practices are in place and are being implemented;
- ensuring compliance with regulatory standards and statutory duties such as gas safety, data protection and asbestos legislation; and
- our ability to maintain core business processes in the event of unforeseen circumstances.

Such systems can only provide reasonable and not absolute assurance against material financial misstatement or loss.

Key elements include ensuring that:

- formal policies and procedures are in place, including the documentation of key systems and rules relating to the delegation of authorities, which allow the monitoring of controls and restrict the unauthorised use of the society's assets;
- experienced and suitably qualified employees take responsibility for important business functions. Annual appraisal procedures have been established to maintain standards of performance;
- forecasts and budgets are prepared which allow the Board and Management to monitor the key business risks and financial objectives and progress towards financial plans set for the year and the medium term; regular management accounts are prepared promptly, providing

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL continued

relevant, reliable and up-to-date financial and other information and significant variances from budgets are investigated as appropriate;

- all significant new initiatives, major commitments and investment projects are subject to formal authorisation procedures through relevant committees comprising Board members and others;
- the Directors review reports from management, from internal auditors, from the external auditors and from their own Audit Committee to provide reasonable assurance that the control procedures are in place and are being followed. The Internal Auditors make regular reports to the Board via the Audit Committee; and
- formal procedures have been established for instituting appropriate action to correct weaknesses identified from the above reports.

A series of framework systems enable RBH to provide a higher level of internal control and assurance on areas of core business. These are:

- Assets and Liabilities Register – this is an integral part of the assurance required to demonstrate compliance with the RSH Governance and Viability Standard
- Contracts Register – a subset of the Asset and Liabilities Register, this register contains all of RBH's current contracts and expired contracts over a 12 month period to provide an indication on the type and level of spend within the organisation. The register enables management to ensure value for money is being achieved and to conduct contract performance evaluations within three months of contract expiration.
- Law Legislation and Regulation (LLR) Register – is used to provide assurance that RBH remains compliant with all relevant law, legislation and regulation. Following peer review work conducted with a regional Governance group, the list of LLR relevant to RBH has refined. This Register will continue to be used to ensure policy leads fully incorporate legislative requirements into RBH policy.

RBH's comprehensive set of policies and procedures also includes data protection, whistle-blowing, health and safety, complaints handling and Register of Interests for Board members and employees. All policies and procedures are monitored to ensure they are relevant and up to date. A key role of our Internal Auditors RSM is to then test and highlight weaknesses in these.

Any weakness that is highlighted is reported back to the Senior Management Team and the Audit Committee, and addressed accordingly. For example, following a recent review a new Fraud Risk Register has been introduced to reflect best practice in this area. RSM's annual report for 2017-18 concluded that, based on the work completed, 'the organisation has an adequate and effective framework for risk management, governance and internal control. However, our work has identified further enhancements to the framework of risk management, governance and internal control to ensure that it remains adequate and effective'. This opinion remains unchanged from 2016/17 and is the second most positive rating available from RSM.

During the year RSM also carried out 2 follow up audits to verify that recommendations had been completed. As a result of the first follow up audit we achieved a 100% implementation rate with 19 out of 19 being verified. As a result of the second follow up this implementation rate dropped to 93% as 2 of the 29 reviewed had were still being progressed.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL continued

Internal Audit

During 2017-18 our internal audit facility was provided by RSM. This was the third year of an initial 3 year contract which has now been extended following a tender exercise in late 2017. The contract has been extended for a further period of 3 years with the option of extending for a further 2 years to 5 in total. Should RBH extend for the full period we would have been with RSM for a total of 8 years.

During 2017/18 no recommendations rated a high were identified by RSM. 24 medium management actions and 23 low management actions were identified all of which were agreed by management.

The Internal Audit function is outsourced for a number of reasons, most notably

- We can focus our attention on core business activities
- It is easier and more cost effective to buy in the services of an expert than it is to recruit and employ an expert.
- Specialist consultancy firms can give a range of skills that you won't find in one person. For example, you may not only need an accountant but also an information technology or human resources expert.
- By outsourcing the Audit Committee and Board can ensure independence and objectivity.
- The relationship can be easily monitored via a service level agreement.

External Audit

BDO LLP provides audit services to the RBH Group in accordance with international standards in auditing (UK and Ireland). Following a tender exercise in 2017 BDO was awarded an initial three year contract beginning in 2017-18 which was approved by the Representative body on 27 September 2017.

STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Board members' responsibilities

The board members are responsible for preparing the report of the board and the financial statements in accordance with applicable law and regulations.

Co-operative and Community Benefit Society law and social housing legislation require the board members to prepare financial statements for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

In preparing these financial statements, the board members are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice: Accounting by registered social housing providers 2014 have been followed, subject to any material departures disclosed and explained in the financial statements; and

STATEMENT OF THE BOARD'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS continued

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and association will continue in business.

The board members are responsible for keeping adequate accounting records that are sufficient to show and explain the group association's transactions and disclose with reasonable accuracy at any time the financial position of the group and association and enable them to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. They are also responsible for safeguarding the assets of the group and association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

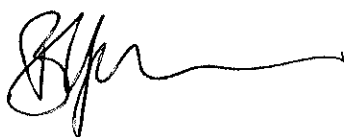
The board is responsible for ensuring that the report of the board is prepared in accordance with the Statement of Recommended Practice: Accounting by registered social housing providers 2014.

Financial statements are published on the group and association's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group and association's website is the responsibility of the board members. The board members' responsibility also extends to the ongoing integrity of the financial statements contained therein.

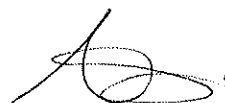
DISCLOSURE OF INFORMATION TO AUDITORS

The Directors who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and each director has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The report of the Board of Management was approved on 11th September 2018 and signed on its behalf by:



Beth Jones
Secretary
11th September 2018



Alison Tumilty
Chair of the Board
11th September 2018



Gareth Swarbrick
Chief Executive
11th September 2018

STRATEGIC REPORT

Corporate objectives and strategy

RBH is owned and run by its members. Our Corporate Strategy is developed by tenant and employee members. During 2017-18 we delivered the final year of our corporate strategy 'Our Mutual Future 2015-18' and developed its successor. On 30 January 2018, the Representative Body approved RBH's new corporate strategy, 'Together'.

We continue to build our values into our day to day work:

Responsibility – We take responsibility for, and answer for, our actions

Equity – We carry on our business in a way that is fair and unbiased

Democracy – We give our members a say in the way we run our business

Pioneering – We will seek to be a leader in the way we meet challenges and seek solutions

Openness & Honesty – We will share information, do what we say we will do and when we make a mistake we will own up to it

Caring – We will listen and respond to the needs of our members, tenants and employees

Championing – We will encourage members to take responsibility for our communities and work together to improve them.

Our vision is

People succeeding together to offer great services and places to live and work.

Within our new corporate strategy 'Together' we have the following priorities:

Growing Together; Thriving Together; Improving Together

Priority 1 – Growing Together

We will deliver the right mix and quality of homes to make RBH communities strong and successful.

We know that the borough needs new good quality, genuinely affordable homes of the right type, of the right tenure and in the right places to meet changing needs and aspirations and to widen the housing choices open to residents. We also know that we need to keep raising the quality of homes and of their surrounding environment.

We will grow together through:

- Direct development of new homes;
- Facilitating new homes;
- Town centre regeneration;
- Diversifying tenure; and
- Smart investment in our homes.

We will also impact on supporting sustainable employment.

STRATEGIC REPORT continued

Priority 2 – Thriving together

We will make the borough a great place to live and age. We will support people through life changes by offering new and tailored services.

We want to make sure that tenants at all stages of life have the opportunity to thrive in homes of their choice and to success in meeting their hopes and aspirations. Sometimes our tenants will need a helping hand to do this and we will develop or facilitate the services to make this happen and to support Rochdale as a great place to grow up, grow a career and grow older.

For older people, Thriving Together means:

- A new offer;
- An independent living service offer;
- Additional extra care provision;
- Housing options; and
- Age friendly.

For all of our customers Thriving Together means:

- Support to sustain tenancies.
- New products and services.

Priority 3 – Improving Together

We will change and improve the way we work with a clear focus on value for money to deliver services that our customers value whilst ensuring that RBH is strong financially successful Society resilient to future challenges.

We know that to grow and to help RBH communities thrive we must first and foremost cover our bases – making sure that our services around repairs, rents and lettings rehousing are right, performance driven and continuously improving. Through this, we provide assurance to our members on our delivery as a good landlord and on the financial strength of our core business.

We will improve together through:

- Bringing mutuality to life;
- Achieving quality services;
- Developing our people strategy;
- Accelerating business transformation around technology; and
- Ensuring financial sustainability and excellent value for money.

These three priorities are underpinned by **Building Rochdale's economy**

RBH, as one of the borough's most important employers and purchasers has a key role in helping to directly build the local economy through delivering our Strategy. In meeting our three objectives we

STRATEGIC REPORT continued

have an underlying purchasing strategy which pro-actively contracts with local businesses and social and community enterprises, making it easier for them to bid for contracts and work. We already procure around 50% of goods and services locally.

Linked to the above, collectively the delivery of our three priorities will directly create vital local employment opportunities for the borough.

A full update on progress against the 'Together' strategy can be obtained from the Secretary.

Governance Arrangements

Since becoming mutual on 26th June 2013 two bodies have been responsible for governance and strategic direction of the society. The first is the Representative Body, comprised of 15 elected tenant members, 8 elected employee members, and up to a further 8 nominated Representatives, including 4 from our key partner Rochdale Council.

The second is the Board of Directors, which is made up of 6 Non-executive Directors and two Executive Directors (Chief Executive and the Director of Resources).

Since mutualisation neither members of the Representative Body nor the Non Executive members of Board are remunerated; they have been compensated for reasonable expenses incurred. However on 30th March 2017 the Representative Body approved a decision to remunerate the Board Chair position commencing on the date of the 2017 Annual Members Meeting. No other Board or Representative Body positions are offered remuneration.

Whilst the Board is legally responsible for the overall control of the affairs of the society, including the monitoring of performance of all its functions and determination of resources to meet its financial and other obligations, the Representative Body is responsible for representing members and the wider interests of the community by offering a strategic framework for the Board to operate within and by holding the Non-executive Directors accountable.

The Representatives and Board members of the society are set out on pages 3 to 6. This includes details of members' professional skills and experience, any additional responsibilities within their respective body and attendance.

The Board

The Board of RBH is committed to the delivery of high quality housing services to its customers, and RBH's aims and objectives embrace the key principles of good governance, i.e. openness, honesty, and responsibility. On 3rd June 2015 the Board adopted the National Housing Federation 2015 Code of Governance.

Both the Board and employee structures have been developed to ensure that there is an informed and effective decision making process within the Society. The membership of the Board is listed at the start of these financial statements.

STRATEGIC REPORT continued

The key Board responsibilities include:

- having overall control of the affairs of the Society;
- monitoring the performance of all the Society's functions;
- determination of resources to meet the Society's financial and other obligations; and
- living the values of the society.

The Board met 7 times in 2017-18 and held two joint sessions with the Representative Body.

Sitting on the Board are:

| | Meetings attended |
|--|----------------------|
| Philip Brown | 6/7 |
| Noel Chambers (Board Chair) until September 2017 | 3/3 |
| Angela Lomax (HR & Governance Committee Chair) until September 2017 | 3/3 |
| Lee Sugden (Audit Committee Chair) until September 2017 | 2/3 |
| Asrar Ul-Haq | 5/7 |
| Luen Thompson | 6/7 |
| Gareth Swarbrick (Chief Executive) | 4/7 |
| Nickie Hallard (Deputy Chief Executive) | 7/7 |
| Alison Tumilty (Board Chair) from September 2017 | 4/4 |
| Guy Millichamp (Audit Committee Chair) from September 2017 | 3/4 |
| Paul Joyce (HR & Governance Committee Chair) from September 2017 | 4/4 |

Profiles of the current Board Members can be found on pages 3 and 4.

In 2017-18 it made the following critical decisions:

- To review the future purpose of the independent living schemes to ensure that the offer was fit for purpose for future tenants;
- To serve initial demolition notices on a number of properties at Lower Falinge to facilitate the regeneration of the area;
- Approved a restructure of the senior leadership team to enable the delivery of the new corporate strategy; and
- To renegotiate the fixed interest rate resulting in savings to the society.

Since 26th June 2013 two committees assist the Board; the Audit Committee and the HR & Governance Committee. Terms of reference for the committees were reviewed as part of the Mutual Governance Excellence Framework review in March 2018.

Audit Committee

This committee provides the facility for Board members to meet the society's external auditors to discuss their report on the annual accounts and also to review the scope and results of the internal

STRATEGIC REPORT continued

audit work programme. The committee also monitors and advises the Board on compliance with the society's Risk Management Strategy Action Plan and approves the write off of bad debts.

The committee must have a minimum of 3 Non-executive Directors members. Executive Directors cannot serve on the committee nor can the Chair of the Board.

The Audit Committee met 4 times in 2017-18.

Sitting on the Audit Committee are:

| | Meetings Attended |
|--|-------------------|
| • James Bell (co-optee) | 3/4 |
| • Angela Lomax until September 2017 | 2/2 |
| • Luen Thompson | 4/4 |
| • Lee Sugden (Chair) until September 2017 | 2/2 |
| • Guy Millichamp (Chair) from September 2017 | 2/2 |
| • Paul Joyce from September 2017 | 1/2 |

Profiles of the current Committee members can be found on pages 3 to 5.

The Audit Committee's responsibilities include:

- To agree and monitor a programme of internal audits for the society to ensure that internal controls management is aligned to key business processes and drives both service improvement and increased efficiency; and
- To lead for the Board on all risk management issues including the regular review of the Risk Management Framework.

In 2017-18 it made the following critical decisions:

- Appointed new external auditors;
- Received significant assurance that RBH was ready for the implementation of the new General Data Protection Regulations and the roll out of full service Universal Credit across Rochdale borough; and
- By conducting a series of risk challenges on key corporate risks from the risk register satisfied itself there was sufficient controls and assurance in place across the Society.

HR and Governance (Remuneration) Committee

The HR and Governance Committee considers strategic employee matters and makes recommendations to the Board in respect of remuneration, variations to the authorised establishment and significant amendments to conditions of service. The committee also leads on governance to drive forward continuous improvement and maintain the highest standards of governance. The Committee maintains and reviews the Excellence Framework which is the suite of documents that supports our governance structure.

STRATEGIC REPORT continued

The committee must have a minimum of 3 members of which a minimum of 2 must be Non-executive Directors. Executive Directors cannot serve on the committee neither can the Chair of the Board.

The HR and Governance Committee met 5 times in 2017-18.

Sitting on the HR and Governance Committee are:

| | Meetings Attended |
|---|-------------------|
| • Angela Lomax (Chair) until September 2017 | 2/2 |
| • Philip Brown | 5/5 |
| • Asrar Ul-Haq | 3/5 |
| • Cliff Mills (co-optee) | 4/5 |
| • Michele Carr (co-optee from September 2017) | 3/3 |

The HR and Governance Committee's responsibilities include:

- To consider employment issues within the parameters of the scheme of delegation relating to the Society;
- To lead for the Board on ensuring that the society maintains the highest standards of governance and learns from best practice from all sectors; and
- To ensure that processes are in place to ensure adherence to regulatory requirements and to receive reports on all cases of non-compliance.

Profiles of the current committee members can be found on pages 3 to 5.

In 2017-18 it made the following critical decisions:

- Recommended the revised Board expenses and Board Chair Remuneration Policy to the Representative Body for approval;
- Approved a number of team restructures, prior to formal consultation with the employees;
- Received details on the lessons learnt and next steps following the issues within the repairs team; and
- Made recommendations for Board approval to a range governing documents.

Governance of both Committees

To ensure the Board maintain sufficient oversight of committee business, a minimum of 3 Non-Executive Directors are required to sit on the HR and Governance and Audit Committees respectively. Minutes from committee meeting minutes are circulated with Board papers. Board meetings require the verbal reporting in of key issues from committees, subsidiary boards and Representative Body meetings. This is an opportunity for the key business of those other meetings to be briefly summarised at Board.

STRATEGIC REPORT continued

Representative Body

The Representative Body forms part of RBH's governance structure along with the Board and is the elected body which represents members and the wider community in RBH's decision making process. The composition of the Representative Body is listed on pages 5 to 6.

The Representative Body met 8 times in 2017-18 and held two joint sessions with the Board. The Representatives responsibilities include:

- Appointing and removing the Chair of the Board of Directors and the other Non-executive Directors;
- Approving the Society's corporate strategy and policy framework;
- Monitoring the performance of the Society and the Board of Directors against the corporate strategy; and
- Establishing, maintaining and monitoring progress of the Membership Strategy.

In 2017-18 it made the following critical decisions:

- Approved the new corporate strategy – Together;
- Reviewed the composition of the Representative Body and made a number of recommendations to the members on changes to the rules;
- Approved the membership and engagement strategies;
- Approved the appointment of a new Secretary; and
- Appointed Alison Tumilty as Board Chair, Guy Millichamp and Paul Joyce as new Non-executive Directors. They also re-appointed Luen Thompson for a second term as a Non-executive Director.

The Representative Body is accountable to the members of the society through the elections process. The fourth annual elections for the Representative Body were held from 7 August to 4 September 2017. Members from the tenant and employee constituencies voted with 16% and 60% turn out respectively and electing 5 Tenant and 2 Employee Representatives in total. A breakdown is shown below:

| Total | Breakdown |
|--------------------------|--|
| 5 Tenant Representatives | 5 for full 3 year terms <ul style="list-style-type: none"> • 2 x continuous service • 3 x first time Representatives |

| Total | Breakdown |
|---------------------------|--|
| 2 Employee Representative | 2 for 3 year terms <ul style="list-style-type: none"> • 1 x continuous service • 1 x first time Representative |

STRATEGIC REPORT continued

During the 2017-18 period, the Representative Body had a number of working groups and task and finish groups. All groups reported back to the Representative Body.

In February 2018 an employee representative only bi-election was held with Jade Toft being elected.

Communications Working Group

The working group met 11 times in 2017-18. Following a review of its Terms of Reference, the Communications Working Group's membership is open to all Representatives but as a minimum must have 1 Employee and 3 Tenant Representatives. Unless directly delegated responsibility by the Representative Body, the working group does not take decisions usually reserved for the Representative Body. Instead it progresses work between Representative Body meetings which is subsequently reported back to and decided on by the Representative Body.

The Communication Working Group's responsibilities include:

- To deliberate on matters relating to Representative Body external communications and engagement with stakeholders and to make recommendations to the Representative Body on such matters;
- To assist with the effective implementation of the Membership Strategy; and
- To shape the delivery of the Annual Members Meeting and the RB's Annual Report to Members.

In 2017-18 it worked on the following important issues:

- Shaping the programme for the Annual Members' Meeting 2017;
- Identifying the content for the Representative Body's annual reports to members; and
- Helped to develop a new communications strategy for the society.

Nominations Committee

In preparation for the retirement of three key Board members, including the Board chair, the Nominations Committee was formed in early 2017 to begin their task. In addition to recruiting three board members, the committee were also asked to consider the idea of payment for the board chair. To assist in their work, the committee appointed EMA consulting. Following the agreement of the Representative Body to the remuneration of the chair's role, the positions were advertised. Three days of interviews took place and the nominations committee made a number of recommendations to the Representative Body for final approval. These were the appointment of Alison Tumilty as Chair and the appointment of Guy Millichamp and Paul Joyce as Non-executive Directors, with a recommendation to the Board that Guy be appointed Chair of Audit Committee and Paul be appointed Chair of HR and Governance Committee. In addition, they also recommended that Michele Carr be co-opted to the HR and Governance Committee. The Representative Body approved these appointments in June 2017, with the new board and committee appointments formally taking up their positions at the conclusion of the Annual Members Meeting in September.

STRATEGIC REPORT continued

Our Mutual Future Working Group

The Our Mutual Future Working Group met four times in 2017 - 2018. The Group's main objective is to monitor the delivery of the corporate strategy; Our Mutual Future and ensure that is on track. The group regularly reports back and provides assurance to the Representative Body.

RBH Membership

Members are separated into 2 constituencies: tenants and employees. Members have access to information, a voice in the Society and the opportunity to play a representative role in its governance.

| | <i>Start of year</i> | | <i>End of year</i> | |
|-------------------------|----------------------|----------|--------------------|----------|
| | <i>No.</i> | <i>%</i> | <i>No.</i> | <i>%</i> |
| <i>Tenant members</i> | 4,770 | 31 | 4,996 | 33 |
| <i>Employee members</i> | 512 | 81.9 | 483 | 81 |

Remuneration

The Representative Body determined that Non-executive Directors do not presently receive any pay, but are allowed to claim expenses in line with the policy which is approved and reviewed annually by the Representative Body. However on 30th March 2017, in preparation for identifying a successor Chair, the Representative Body agreed that the role should be offered remuneration of £11k per annum.

Executive Management Team

The Chief Executive, the Deputy Chief Executive (Director of Resources) and three other directors (who are not Board members) make up the society's Executive Management Team and act as executives within the authority delegated by the Board. The Executive Management Team is set out on page 6. Insurance policies are in place which indemnifies Board members and employees against liability when acting for the Society.

The Board's Non-executive Directors have responsibility for the remuneration of its executive members and appointing the Chief Executive. Terms and conditions and remuneration were reviewed by the HR and Governance Committee in 2015. Notice periods are four months for the Chief Executive and three months for directors.

The Executive Management Team as RBH employees are also members of the Greater Manchester Pension Fund, a defined benefit (final salary) pension scheme. They participate in the scheme on the same terms as other employees and the Society contributes to the scheme on behalf of its employees. Payments including pension contributions for the Executive Management Team members in the period to 31st March 2018 totalled £421k (period to 31st March 2017: £422k).

Other executive terms of employment are consistent with standard RBH contracts.

Further details of the Executive Management Team members' remuneration packages are included in note 11 to the audited financial statements.

STRATEGIC REPORT continued

Code of Governance

RBH has adopted the National Housing Federation's 2015 Code of Governance. This code was chosen as being the most relevant as it is tailored to the housing sector. During 2017-18 RBH complied with the provisions of the Code with the following exceptions:

| Provision | Explanation of non-compliance |
|--|---|
| B1 The core purpose of the board is to determine vision and strategy, direct, control, and scrutinise a society's affairs. Where the society has staff, operational management of the society must be delegated to them, and the board must hold them to account. | As a mutual the Representative Body is responsible for approving the Corporate Strategy once it has received the Board's approval. Reports are prepared for Board by the executive. During meetings, recommendations are scrutinised by Board members and where necessary challenged or rejected. |
| D Recruitment to board vacancies must be open and transparent and based on the board's considered view of the skills and attributes required to discharge its functions. The board must select or appoint new members objectively on merit and must undertake regular appraisals of its members and of the board as a whole. | The Representative Body is responsible for appointing NEDs, which is done in an open and transparent manner based on a skills assessment. NED's are then responsible for appointing the Chief Executive, who in turn is responsible for appointing additional executive directors. Overall Board effectiveness has recently been externally facilitated. |

Employees

At the end of 2017-18 RBH employed 597 colleagues of which 326 were male and 271 were female.

During 2017-18 significant achievements that have had an impact on employees have included:

- a) Preparing a new Recognition and Procedural agreement with the Trade Unions and commencing our first local negotiations since leaving the NJC negotiating group
- b) Introduced e-recruitment expanding our reach into the employment market to improve the quality and quantity of applicants
- c) Increased our joint working with Bolton at Home and First Choice Homes Oldham, specifically in regard to joint training and development initiatives but also with First Choice Homes Oldham on joint procurement of a HR and Payroll system
- d) Supported 28 colleagues on further education programmes funded by the Apprentice Levy
- e) Streamlined and updated a number of key employment policies
- f) Introduced Mental Health First Aiders to support wellbeing in the workplace
- g) Published our Gender Pay Gap figures, which evidenced a positive approach to female pay.

In December 2017 we undertook a Society wide Climate and Engagement Survey. This produced positive responses in terms of employee's understanding what is expected of them and how they contribute to the overall objectives of RBH and also the emphasis placed on improving

STRATEGIC REPORT continued

performance. Positive responses were also recorded in management style, particularly in how managers listen and support colleagues and talk openly about the issues that affect them.

Significant developments and achievements in 2017-2018

- 2017-18 saw the development of our new Corporate Strategy, Together with the Board and Representative Body working collaboratively to produce our vision for how our fundamental priorities – Growing Together, Thriving Together, and Improving Together – link together to help us provide the right mix of new and existing homes. Many tenants and employees helped to shape this vision.
- During the year, we invested £11m to upgrade our tenants' homes. This included providing new kitchens, bathrooms, windows and doors as well as new central heating systems.
- RBH delivered 11 new homes on Daventry Road in Kirkholt in 2017-18 as part of our commitment to build 79 new homes through the Homes and Communities Agency Affordable Homes Programme (now Homes England) and work is ongoing with the development of 19 new 2 bed homes on Lower Falinge due for completion later in 2018. Work also progressed on building 16 2 bed flats, 8 retail units and a community hub at The Strand in Kirkholt, with these ambitious plans due for completion early summer 2018.
- In 2017-18 we also started work on our commitments through the Homes England Shared Ownership Affordable Housing Programme for 2017-21 which will see RBH build a further 99 new homes including a third new build scheme at Lower Falinge and RBH's first shared ownership scheme which will provide 25 new homes at Abbey Road in Middleton.
- Work has continued on plans to regenerate the Town Centre with the first phase Strategic Master-planning being completed and agreement reached with the Council on the scope for the second stage of master-planning, which includes work with the RSA to develop our approach to supporting Lower Falinge and College Bank residents into employment.
- RBH has worked with other Greater Manchester (GM) Housing Providers on a range of initiatives but in particular ones that seek to drastically reduce the level of rough sleeping.
- A framework has been developed and put in place during the year to ensure RBH meets the requirements of the General Data Protection Regulations.

Future developments as at 31st March 2018

- Full Universal Credit commenced in Rochdale in May 2018. We have been working closely with peer organisations who have already moved over to the new system and our Rents and Payments team will continue to work hard to implement new systems and ways of working to mitigate the impact and support our tenants through this and other changes in the welfare system.
- Our leading role will continue in the multi-agency partnership with Rochdale Council, the Greater Manchester Combined Authority, Communities and Local Government Department, Homes and Communities Agency and a range of local partners to develop proposals for the regeneration of a large residential area in Rochdale Town Centre in our Lower Falinge and College bank neighbourhoods. This includes both physical improvements and people related initiatives particular around employment opportunities.
- Plans are also in place to directly build initially 50 new homes and 2 additional extra care sites in the Borough.

STRATEGIC REPORT continued

- We will also conduct a full review of the Independent Living Service with a view to establishing a range of health and wellbeing initiatives aimed at a developing a more differentiated service offer and expanding the Community Response Service.
- Additional investment in digital technology is planned also which will ensure that the infrastructure is in place to provide customers with increased choice about how they contact and interact with us and to improve the efficiency and effectiveness of our systems and processes.

Operating Performance in the period

Performance is reported to the Board throughout the year. In only two areas were targets not met, on customer complaints (83% responded to within 10 days - target 100%) and on average employee absence rates (10.4 days compared to 8.5 day target). In all other areas, we met or exceeded target. 2017/18 saw our strongest ever performance on rent collection with 102.4% of rent collected (excluding arrears brought forward - 96.22% including arrears brought forward).

Financial Review of the year

Financial Results for the year ended 31st March 2018

The RBH financial result for the year ended 31st March 2018 was an operating surplus of £16.3M. This figure reflects the impact of accounting for retirement benefits in accordance with Financial Reporting Standard (FRS) 102.

The operating surplus would be £19.3M were these items not applied.

| | Group | | RBH Limited | |
|--|---------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 |
| | £000 | £000 | £000 | £000 |
| Operating Surplus pre FRS 102 pensions adjustment | 19,341 | 17,278 | 19,417 | 17,349 |
| Less: | | | | |
| FRS 102 pension charges | (3,041) | (1,447) | (3,041) | (1,447) |
| Adjusted Operating Surplus | 16,300 | 15,831 | 16,376 | 15,902 |

This RBH only surplus of £19.4M (before FRS 102 pension adjustments) is an improvement of £6.0M against the original budget and £3.0M against the Quarter 3 Forecast (Q3F). The most significant reasons for the favourable variance against Q3F is a £1.7M improvement in bad debt performance and a £1.2M under spend on Regeneration activities. The under spend on Regeneration activities was mainly to the budget for leaseholder acquisitions not being spent. There has been a delay in acquisitions due to the on going consultation on the Town Centre Master Planning.

The full statement of financial position is shown on page 45. The key highlight is the significant investment in our existing properties, together with new build development.

STRATEGIC REPORT continued

Pension costs

RBH has Admitted Body status in the Local Government Pension Scheme (LGPS), a defined benefit final salary pension scheme. The LGPS is a multi-employer scheme with more than one participating employer. The scheme is administered by Greater Manchester Pension Fund (GMPF). RBH contributed to the scheme on behalf of its members. The Admission Agreement allows RBH to nominate new employees to join the GMPF. In order to cover the liability in relation to these new employees, a bond is in place funded through RBH's loan facility.

From the 1 January 2017 new employees were not admitted to the GMPF. New employees were admitted to the Royal London pension scheme which is a Defined Contribution Scheme. This is a qualifying pension scheme, which means it meets or exceeds the government's standards. The scheme complies with the relevant provisions of the Pension Schemes Act 1993, the Pensions Act 1995, the Pensions Act 2004 and the Pensions Act 2008. In addition RBH has 4 employees who are not on RBH's terms and conditions and therefore we also operate the NEST scheme for these employees.

Capital structure and treasury policy

The control of Treasury Management at RBH has three constituent parts: policy, strategy and procedures. These three strands are brought together to form a Treasury Management Manual, which details the controls employed and the procedures to be followed.

Responsibility for the implementation and monitoring of the Treasury Management Manual rests with the Director of Resources with overview by the Audit Committee.

The Treasury Strategy is reviewed annually in line with the Business Plan with an additional review halfway through the year.

In 2016-17 RBH renegotiated its loan facility. The new loan facility was a 10 year £85m syndicated loan facility provided by RBS and Santander. At the year end £20m of this facility was paid back due to a surplus of cash and to reduce future interest payments. Therefore the loan facility as at the 31st March 2018 is £65m with £40m having been drawn down. This is detailed in note 21. These loans are all on a fixed rate. In addition to this, RBH has an extra £2.8m debt relating to former Brighter Horizons homes.

Financial risk management objectives and policies

Credit Risk

Income generated through rent and other charges is vital to the ability to deliver the priorities within our new corporate strategy 'Together'. RBH is committed to arrears prevention by working with members to promote a rent payment culture. The Rent and Payments Team works closely with the RBH teams and other agencies to help customers to sustain their tenancies.

STRATEGIC REPORT continued

Counterparty Risk

Surpluses are invested in approved UK institutions which fall within the scope of the Treasury Policy. Cash Balances at the year end were invested with NatWest Bank, the Public Sector Deposit Fund and the Affirmative Deposit Fund.

Interest Rate Risk

The Treasury Policy permits the use of interest rate derivatives to manage interest exposures other than on a stand alone basis. There are currently no derivatives in place, however at the year end all of the £40m was at a fixed rate under the loan facility.

Liquidity Risk

RBH seek to keep cash balances to a minimum with a balance of £5,672k (2017: £13,181k) at the year end. Cash balances for the Group at year end are £6,242k (2017: £13,402k).

The £65m facility is fully secured and provides sufficient funds for the next 18 months from the date of signing these financial statements. This provides an undrawn facility of £25m alongside an overdraft facility of £500k.

Currency Risk

RBH borrows only in sterling and so does not have any currency risk.

Business Plan

RBH produce an annual 30 year plan which requires the approval of the Board and is sent to our funders RBS and Santander for information. The 2018-19 Business Plan also forms our Financial Forecast Return to the RSH.

The main change to the 2018-19 Business Plan is the significant investment in the Rochdale Town Centre regeneration.

Going concern

After due consideration, the Board is confident that RBH has sufficient resources to continue to operate into the foreseeable future and it has therefore prepared these financial statements on a going concern basis.

Donations

The RBH (D & B) Board agreed to make a Gift Aid charitable donation to RBH, representing its surplus for the year in 2017-18 of £42k.

RBH's Charity of the Year for the period to 31st March 2018 is Rochdale Mind with RBH making a donation of £5k.

Principal risks and uncertainties facing the society

RBH recognises that managing risk is a critical element in achieving its aims and objectives. The Risk Management Strategy and Policy is reviewed and approved on an annual basis by both the Audit Committee and the Board. This document sets out how RBH will identify, manage and monitor risks.

STRATEGIC REPORT continued

The corporate risk register is reviewed on a quarterly basis by the Risk Group which is attended by the Deputy Chief Executive/Director of Resources and all Heads of Service. Risk management is now an established part of business planning process with risk identification and analysis sessions being carried out on an annual basis. In addition to helping embed risk management within the society and develop a culture of risk awareness, these sessions also allow employees from all areas of the business to feed into the process.

The most significant corporate risks, those with a residual risk score of 10 or above on a 5 by 5 matrix, are set out in the risk register below.

| Risk Title and score | Possible Consequences/Description | Current Controls |
|--|--|--|
| Reduced rent collection (25) | Loss of rental income | <ul style="list-style-type: none"> • Annual Discretionary Housing Payment (DHP) take up campaign completed in quarter 4 of each financial year. • Direct Debit established as preferred method of payment and implemented as business as usual. • Income and Rent Collection Policy and team. • Methods of payment reviewed annually to ensure continuous improvement. Any day Direct Debits introduced, cash kiosk at St Albans, bar coding on letters and online payments available. Performance monitored monthly. • Monthly social landlord forum set up and lead by RBH including Department for Works and Pensions (DWP), Job Centre Plus and Housing Benefit. • System improvement activity in place following WDH review. New ways of working in place - improved automation and contact processes enabling Rent and Payments Advisor's to check accounts weekly and take action at the appropriate levels. • Universal credit processes implemented from the trial of specialised Universal Credit Officer post. Lessons learnt and put into practice. Collection targets for universal credit and under occupiers established and rolled out. Performance indicators in place for EMT, Heads of Service and Poverty Prevention Steering Group. • Weekly reports completed on Sunday to enable employees to start arrears recovery action on Mondays. |
| Pensions liability and ongoing commitments exceed business plan (20) | Increased pressure on budgets and impact on delivery of services | <ul style="list-style-type: none"> • Annual review of business plan. Impact of soft close and latest actuarial assumptions built into the plan. • Business Plan - stress testing. • Regular review of all pension arrangements to consider their long-term sustainability, risk exposure and mitigation options. • VAT shelter proceeds outside of business plan from year 5. • Board Task and Finish Group overseeing a full review. |

STRATEGIC REPORT continued

| Risk Title and score | Possible Consequences/ Description | Current Controls |
|---|--|--|
| Cost inflation runs at a rate higher than projected in the Business Plan (16) | Cost inflation is rising at a rate higher than assumed in the plan creating the need to scale back on overall costs | <ul style="list-style-type: none"> • Business Plan agreed annually for continuing liability. • External horizon scanning • Financial Management procedures in place for budget setting and quarterly re-forecasting. • Sensitivity analysis on business plan to identify the risk and feed into stress testing. • Stress testing of Business Plan annually and linked submission to RSH (FFR) |
| Management and maintenance cost saving targets not delivered (15) | Budgets are not met, expenditure exceeds Business Plan targets. Impact on the investment in the community and the delivery of services | <ul style="list-style-type: none"> • Financial management procedures in place, including the budget setting and quarterly forecasting processes via collaborative planning. • Savings delivery progress reported to EMT and Board. • VFM and reduction in cost savings target to maintain unit costs to be embedded in Corporate Strategy. • VFM Strategy to deliver efficiency savings. |
| Supported housing funding model does not cover the full cost of the provision (12) | Schemes no longer viable | <ul style="list-style-type: none"> • Keep fully updated on developments at a national level as the supported housing funding model goes through its consultation with the sector and DCLG. |
| Current independent Living Schemes service does not meet current and future demand (12) | Loss of rental income, closure of schemes, loss of employees. | <ul style="list-style-type: none"> • Letting process in place including marketing and publicity. • Independent Living Scheme review being undertaken. |
| National rent policy leads to Business Plan not being delivered (10) | Government policy on rents leads to a reduction in rental income which means that the Business Plan is undeliverable | <ul style="list-style-type: none"> • Business Plan agreed annually for continuing viability. • External Horizon scanning. • Financial management procedures. • Sensitivity analysis on business plan to identify the risk and feed into stress testing. • Stress testing. |

STRATEGIC REPORT continued

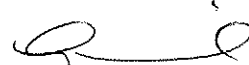
The Board confirms that the form and content of this strategic report has been prepared in accordance with the 2014 SORP For Registered Social Housing Providers.



Beth Jones
Secretary
11th September 2018



Alison Tumilty
Chair of the Board
11th September 2018



Gareth Swarbrick
Chief Executive
11th September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCHDALE BOROUGHWIDE HOUSING LIMITED FOR THE YEAR ENDED 31 MARCH 2018

We have audited the financial statements of Rochdale Boroughwide Housing Limited ("the Association") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the consolidated and association statement of comprehensive income, the consolidated and association statement of financial position, the consolidated and association statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Association's affairs as at 31 March 2018 and of the Group's and the Association's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Association in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the board members use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Association's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The board are responsible for the other information. Other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCHDALE BOROUGHWIDE HOUSING LIMITED FOR THE YEAR ENDED 31 MARCH 2018 (Continued)

In connection with our audit of the financial statements, our responsibility is to read the other information including the Report of the Board of Management and Strategic Report and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where we are required by the Co-operative or Community Benefit Societies Act 2014 or the Housing and Regeneration Act 2008 to report to you if, in our opinion:

- the information given in the Report of the Board for the financial year for which the financial statements are prepared is not consistent with the financial statements;
- adequate accounting records have not been kept by the parent Association; or
- a satisfactory system of control has not been maintained over transactions; or
- the parent Association financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Board

As explained more fully in the board members responsibilities statement set out on page 22, the Board is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the board members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the board are responsible for assessing the Group and the Association's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board either intend to liquidate the Group or the Association or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ROCHDALE BOROUGHWIDE HOUSING LIMITED FOR THE YEAR ENDED 31 MARCH 2018 (Continued)

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the members of the Association, as a body, in accordance with the Housing and Regeneration Act 2008 and 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

BDO LLP

Statutory Auditor

Manchester

Date: 20/09/2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**CONSOLIDATED AND ASSOCIATION STATEMENT OF COMPREHENSIVE INCOME FOR THE
YEAR ENDED 31 MARCH 2018**

| | | RBH Group | | RBH Limited | |
|---|------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Note | Year ended 31/3/2018 | Year ended 31/3/2017 | Year ended 31/3/2018 | Year ended 31/3/2017 |
| | | £'000 | £'000 | £'000 | £'000 |
| Turnover | 2, 3 | 57,182 | 57,702 | 57,294 | 57,755 |
| Operating costs | 2, 3 | (40,882) | (41,871) | (40,918) | (41,853) |
| Operating surplus | | 16,300 | 15,831 | 16,376 | 15,902 |
| Investment income | | - | - | 47 | 178 |
| Share of operating surplus in Joint Venture | 30 | - | 240 | - | - |
| Surplus on sale of properties | 6 | 4,106 | 3,347 | 4,106 | 3,347 |
| Surplus on ordinary activities before interest | | 20,406 | 19,418 | 20,529 | 19,427 |
| Interest receivable | 7 | 62 | 31 | 62 | 31 |
| Interest payable and similar charges | 8 | (4,543) | (4,559) | (4,543) | (4,559) |
| Other finance costs | 9 | (412) | (407) | (412) | (407) |
| Surplus on ordinary activities before taxation | 5 | 15,513 | 14,483 | 15,636 | 14,492 |
| Taxation on surplus on ordinary activities | 13 | - | (48) | - | - |
| Surplus for the financial year | | 15,513 | 14,435 | 15,636 | 14,492 |
| Actuarial gain/(loss) relating to pension scheme | 12 | 3,643 | (1,573) | 3,643 | (1,573) |
| Total comprehensive income for the year | | 19,156 | 12,862 | 19,279 | 12,919 |

All amounts relate to continuing activities

The notes on pages 50 to 78 form part of these financial statements. There is no difference between the surplus recorded on an historical cost basis and that recorded in the statement of comprehensive income.

CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

| | Note | RBH Group | | RBH Limited | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 31/3/2018 | 31/3/2017 | 31/3/2018 | 31/3/2017 |
| | | £'000 | £'000 | £'000 | £'000 |
| Tangible fixed assets | | | | | |
| Housing properties – depreciated cost | 14a,b | 137,842 | 129,590 | 138,528 | 130,410 |
| Other tangible fixed assets | 14c | 1,618 | 1,836 | 1,618 | 1,836 |
| Investment in Joint Venture | | - | 306 | - | - |
| Investment in subsidiary company | 30 | - | - | 469 | - |
| Total tangible fixed assets | | 139,460 | 131,732 | 140,615 | 132,246 |
| | | | | | |
| Debtors: due in more than one year | 19 | 460,541 | 466,554 | 460,541 | 466,554 |
| | | | | | |
| Current assets | | | | | |
| Stock | 18 | 504 | 355 | 504 | 355 |
| Debtors | 19 | 11,355 | 11,252 | 12,024 | 11,478 |
| Cash at bank and in hand | | 6,242 | 13,402 | 5,672 | 13,181 |
| Total Current assets | | 18,101 | 25,009 | 18,200 | 25,014 |
| Creditors: amounts falling due within one year | 20 | (13,690) | (14,872) | (14,282) | (14,847) |
| Provisions for liabilities and charges | 24 | (230) | (195) | (225) | (195) |
| Net current assets | | 4,181 | 9,942 | 3,693 | 9,972 |
| Total assets less current liabilities | | 604,182 | 608,228 | 604,849 | 608,772 |
| | | | | | |
| Creditors: amounts falling due after more than one year | 21 | 54,859 | 71,858 | 54,859 | 71,858 |
| Refurbishment provision | 23 | 460,541 | 466,554 | 460,541 | 466,554 |
| Pension liability | 12 | 14,153 | 14,343 | 14,153 | 14,343 |
| | | | | | |
| Capital and reserves | | | | | |
| Pension reserve | | (14,153) | (14,343) | (14,153) | (14,343) |
| Income and expenditure reserve | | 88,782 | 69,816 | 89,449 | 70,360 |
| | | 604,182 | 608,228 | 604,849 | 608,772 |

CONSOLIDATED AND ASSOCIATION STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2017

The notes on pages 50 to 78 form part of these financial statements.

The financial statements were approved and authorised for issue by the Board on 11th September 2018 and signed on it's behalf by:



Beth Jones
Secretary
11th September 2018



Alison Tumilty
Chair of the Board
11th September 2018



Gareth Swarbrick
Chief Executive
11th September 2018

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

| Group | Income and Expenditure Reserve | Pension Reserve | Total |
|---|--------------------------------------|--------------------|---------------|
| | £'000 | £'000 | £'000 |
| At 31st March 2017 | 69,816 | (14,343) | 55,473 |
| Surplus for the year | 15,513 | - | 15,513 |
| Actuarial gain relating to pension scheme (note 12) | - | 3,643 | 3,643 |
| Other comprehensive income for the year | - | 3,643 | 3,643 |
| Transfer from Pension Reserve | 3,453 | (3,453) | - |
| | | | |
| At 31 March 2018 | 88,782 | (14,153) | 74,629 |

| Group | Income and Expenditure Reserve | Pension Reserve | Total |
|---|--------------------------------------|--------------------|----------------|
| | £'000 | £'000 | £'000 |
| At 31st March 2016 | 53,527 | (10,916) | 42,611 |
| Surplus for the year | 14,435 | - | 14,435 |
| Actuarial loss relating to pension scheme (note 12) | - | (1,573) | (1,573) |
| Other comprehensive income for the year | - | (1,573) | (1,573) |
| Transfer from Pension Reserve | 1,854 | (1,854) | - |
| | | | |
| At 31 March 2017 | 69,816 | (14,343) | 55,473 |

ASSOCIATION STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2018

| RBH Limited | Income and Expenditure Reserve | Pension Reserve | Total |
|---|--------------------------------------|--------------------|---------------|
| | £'000 | £'000 | £'000 |
| At 31st March 2017 | 70,360 | (14,343) | 56,017 |
| Surplus for the year | 15,636 | - | 15,636 |
| Actuarial gain relating to pension scheme (note 12) | - | 3,643 | 3,643 |
| Other comprehensive income for the year | - | 3,643 | 3,643 |
| Transfer from Pension Reserve | 3,453 | (3,453) | - |
| | | | |
| At 31 March 2018 | 89,449 | (14,153) | 75,296 |

| RBH Limited | Income and Expenditure Reserve | Pension Reserve | Total |
|---|--------------------------------------|--------------------|----------------|
| | £'000 | £'000 | £'000 |
| At 31st March 2016 | 54,014 | (10,916) | 43,098 |
| Surplus for the year | 14,492 | - | 14,492 |
| Actuarial loss relating to pension scheme (note 12) | - | (1,573) | (1,573) |
| Other comprehensive income for the year | - | (1,573) | (1,573) |
| Transfer from Pension Reserve | 1,854 | (1,854) | - |
| | | | |
| At 31 March 2017 | 70,360 | (14,343) | 56,017 |

The notes on pages 50 to 78 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

| | RBH Group | |
|---|----------------------------------|----------------------------------|
| | Year ended 31/3/2018 £'000 | Year ended 31/3/2017 £'000 |
| Cash flows from operating activities | | |
| Profit before tax | 15,513 | 14,483 |
| Adjustments for non-cash items: | | |
| Profit on disposal of fixed asset | (4,106) | (3,347) |
| Depreciation of housing properties | 3,835 | 3,017 |
| Depreciation of other fixed assets | 447 | 490 |
| Decrease in Stocks | (149) | 25 |
| Decrease in Debtors | 5,918 | 13,998 |
| Decrease in Creditors | (4,192) | (12,248) |
| Finance costs | 412 | 407 |
| Pension contributions | (2,456) | (3,011) |
| Pension current service cost | 5,348 | 3,524 |
| Pension settlements and curtailments | 149 | 934 |
| Interest received | (62) | (31) |
| Interest paid | 4,543 | 4,559 |
| Tax paid | - | (48) |
| Net cash generated from operating activities | 25,200 | 22,752 |
| Cash flow from investing activities | | |
| Purchase of tangible fixed assets | (12,974) | (17,388) |
| Proceeds from sale of tangible fixed assets | 5,069 | 4,409 |
| Interest received | 54 | 31 |
| Net cash from investing activities | (7,851) | (12,948) |
| Cash flow from financing activities | | |
| Interest paid | (4,475) | (4,491) |
| New secured loans | - | - |
| Repayment of borrowings | (20,034) | (455) |
| Net cash used in financing activities | (24,509) | (4,946) |
| Net change in cash and cash equivalents | (7,160) | 4,858 |
| Cash and cash equivalents at beginning of the year | 13,402 | 8,544 |
| Cash and cash equivalents at end of the year | 6,242 | 13,402 |

NOTES TO THE FINANCIAL STATEMENTS

1 Principal Accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable law and UK accounting standards (United Kingdom Generally Accepted Accounting Practice) which for Rochdale Boroughwide Housing (RBH) includes the Cooperative and Community Benefit Societies Act 2014 (and related group accounts regulations), the Housing and Regeneration Act 2008, FRS 102 "the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" the Statement of Recommended Practice (SORP) for Registered Social Housing Providers 2014, "Accounting by registered social housing providers" 2014, the Accounting Direction for Private Registered Providers of Social Housing 2015.

The accounts are prepared under the historic cost basis except for the modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies.

Parent company disclosure exemptions

In preparing the separate financial statements of the parent company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No statement of cashflows has been presented for the parent company;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the group as a whole;
- Reduced disclosures around related party transactions entered into between two or more members of the group.

The following principal accounting policies have been applied:

Basis of Consolidation

The financial statements are group statements and have been prepared by consolidating the results of the subsidiary undertakings within the RBH Group. Intercompany transactions and balances between group companies are therefore eliminated in full. All financial statements are made up to 31 March 2018.

Turnover

Turnover comprises rental income receivable in the year, and other services included at the invoiced value (excluding VAT) of goods and services supplied in the year; revenue grants receivable in the year including relating to a supporting people contract, and other income from operating activities.

Rental income is recognised from the point when properties under development reach practical and are formally let, income from the sales of properties is recognised at the point of legal completion of the sale.

1 Principal Accounting policies continued

Value added tax

The majority of group turnover relates to rental income which is exempt from VAT, however a small proportion of income is subject to VAT and this gives rise to small amount of VAT recovery.

The majority of RBH expenditure is subject to VAT, and will be shown gross where such VAT is not recoverable from HMRC.

In relation to the VAT Shelter, a provision is created which represents RBH's obligation to carry out refurbishment works which is set out in the Works Agreement with Rochdale Council. This will be written down as work to housing properties is actually undertaken. There is a corresponding long term debtor recognised on the statement of financial position which is written down in line with the provision.

Pensions

RBH is an admitted body within the Greater Manchester Pension Fund (GMPF), a funded multi-employer defined benefit scheme. Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates.

The net surplus or deficit is presented separately from other net assets on the statement of financial position. A net surplus is recognised only to the extent that it is recoverable by the company.

The current service cost and costs from settlements and curtailments are charged against operating profit. Past service costs are recognised as the benefits accrue. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Actuarial gains and losses are reported in the statement of comprehensive income.

From the 1 January 2017 RBH also has a defined contribution scheme which is administered by Royal London. Following the closure of the scheme to new entrants, RBH procured Royal London to provide its alternative Defined Contribution scheme. All new employees and those being auto-enrolled, now go into this scheme which currently has 40 members. In addition RBH has 4 employees who are not on RBH's terms and conditions and therefore we also operate the NEST scheme for these employees.

Fixed Assets and depreciation

Housing Properties

RBH Group Housing properties are properties available for rent and are valued under the historical cost basis, plus the cost of additions of components and improvements less depreciation.

Work to existing properties which is capable of generating increased future income, extending the useful life or otherwise add to the value of the property will be capitalised. There is a de-minimis limit for capitalisation of £2,000 with the exception of monitored alarm systems.

Capitalised interest

Finance costs are not capitalised. This is in accordance with RBH's Capitalisation Policy.

Development Costs

Development costs are capitalised as a fee percentage on works costs.

1 Principal Accounting policies continued

Donated Land

Land donated by local authorities and others is added to cost at the market value of the land at the time of donation. Where the donation is from a public body the difference between the value and cost is added to other grants, otherwise it is treated as income.

Assets under construction are stated at cost and transferred to completed properties when ready for letting.

General repairs

All other expenditure incurred in respect of general repairs to the housing stock will be charged to the statement of comprehensive income in the year it is incurred.

Depreciation

Major components of the housing properties are treated as separate assets and depreciated on a straight line basis over their expected useful economic lives at the following annual rates. Freehold land is not depreciated. Assets in the course of construction are not depreciated until they are completed and ready for use to ensure that they are depreciated only in periods in which economic benefits are expected to be consumed.

Depreciation Rates

| Component | Depreciation Period |
|--------------------------------------|---------------------|
| Buildings (General) | 100 years |
| Cladding | 60 years |
| Roofs | 50 years |
| Windows | 40 years |
| Doors | 40 years |
| Bathrooms | 30 years |
| Lifts | 30 years |
| Central heating distribution systems | 30 years |
| Other heating systems | 30 years |
| Rewires | 30 years |
| Renewable energy | 25 years |
| Kitchens | 20 years |
| Boiler | 15 years |
| Alarm systems | 15 years |

Depreciation begins from the month following installation, and a full months' depreciation will be charged in the month of disposal.

Other tangible fixed assets

Depreciation is calculated on a straight line basis on the cost of other tangible fixed assets to write them down to their estimated residual values over their expected useful lives.

| Asset | Depreciation period |
|--------------------------------|---------------------|
| Plant & Machinery | Various |
| Office furniture and equipment | 3-5 years |
| IT systems | 3-5 years |
| Vehicles | 3-5 years |
| Leasehold Offices | 7.25 years |
| Fixtures and fittings | 3-5 years |

1 Principal Accounting policies continued

Impairment

Housing properties (because some components within this class of fixed asset having a UEL of over 50 years) will be reviewed for impairment on a yearly basis. A detailed assessment is undertaken to compare the carrying amount of assets or cash generating units for which impairment is indicated to their recoverable amounts. RBH deem that neighbourhoods are cash generating units. Impairment is assessed primarily to the reports produced by RBH's independent valuation consultants, to determine possible impairment. There is also an assessment carried out by calculating the present value of future cash flows over a 30 year period. Other fixed 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. Any such write down will be charged to the operating surplus.

Social Housing Grant and other government grants

Grants received in relation to assets are accounted for using the accrual model set out in FRS 102 and the Housing SORP 2014. The grant is carried as deferred income in the statement of financial position and released to turnover on a systematic basis over the useful economic lives of the asset for which it was received. In accordance with Housing SORP 2014 the useful economic life of the housing property structure has been selected.

Where social housing grant (SHG) funded property is sold, the grant becomes recyclable and is transferred to a recycled capital grant fund until it is reinvested in a replacement property. If there is no requirement to recycle or repay the grant on disposal of the assets any unamortised grant remaining within creditors is released and recognised as turnover in the statement of comprehensive income.

Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once performance related conditions have been met.

Grants due from government organisations or received in advance are included as current assets or liabilities.

Shared Ownership Properties

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to first tranche sales. The first tranche proportion is classed as a current asset and the remaining element is classed as a fixed asset and included in housing properties at cost less any provisions needed for depreciation or impairment and are valued at lower of cost and net realisable value.

Leased Assets

Rentals payable under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value and are issued on a First in first out (FIFO) basis.

1 Principal Accounting policies continued

Taxation

No corporation tax is payable on the surpluses of charitable activities of RBH since transfer, as it has charitable status.

Definition of liquid resources

For the purposes of the statement of cashflows, liquid resources are defined as current asset investments and short term deposits.

Management charges

RBH Group subsidiary companies do not have any employees and therefore management charges are made on an arms length basis to them for services provided by RBH, in accordance with an Intra Group Agreement. Management charges consist mainly of Finance, IT, Legal and Company Secretarial services.

Sale of housing properties

The surplus or deficit arising from disposal of properties under the Preserved Right to Buy (PRTB) legislation and other property disposals are disclosed on the face of the statement of comprehensive income. The surplus or deficit is net of any sums payable to Rochdale Council under the terms of the Transfer Agreement.

Disposal Proceeds Fund

Receipts from Right to Acquire (RTA) Sales were to be retained in a ring fenced fund that can only be used for providing replacement housing. The sales receipts less eligible expenses were credited to the Disposal Proceeds Fund. From 6 April 2017 new receipts are no longer to be accounted for through this fund. This means, in effect, that the DPF will gradually be run down over the next few years.

Refurbishment Provision

Properties are acquired from local authorities for a consideration equivalent to their current market value plus the cost of bringing them into a good state of repair. Immediately prior to the transfer, the local authority contracts with the association to carry out these refurbishment works for a fixed sum, equal to the expected cost of the required work. The terms of the local authorities' undertaking to refurbish/repair the properties and the terms of the contract with the association are essentially similar; in particular, the price is fixed and no time limit imposed.

Subcontractors are subsequently employed to carry out the work over a number of years.

The underlying substance of the transactions is reflected on a gross basis; recognising the contractual position of the association which has both an asset for which it has paid (the local authorities' obligation to perform the refurbishment) and a legal obligation to complete the works under the refurbishment contract. These assets and liabilities are recognised in the statement of financial position within debtors and provisions respectively.

1 Principal Accounting policies continued

Bad debts and write offs

RBH make a prudent provision for bad debts on the basis of the age of the debt in accordance with the following tables as recommended by the Chartered Institute of Public Finance and Accountancy.

| Current Tenants | Age of Debt | % Provision |
|-----------------|-------------|-------------|
| | 0-4 Weeks | 0% |
| | 4-13 Weeks | 10% |
| | 13-26 Weeks | 25% |
| | 26-39 Weeks | 50% |
| | 39-52 Weeks | 75% |
| | 52 > Weeks | 95% |
| Former Tenants | | |
| | All | 99% |

In addition, outstanding debts are reviewed on an individual basis and additional provisions to those shown in the above table are applied where appropriate. Any write offs, deemed to be uncollectable by the Income Recovery Team are approved by the Board.

Service charges

Our services are defined as variable service charges. This means that charges raised reflect the cost of service delivery. RBH complies fully with the legislative regime controlling the imposition of service charges. RBH will limit the amount of any charge raised to costs which have been reasonably incurred as contained within the Landlord & Tenant Act 1985 Section 19.

RBH have an obligation for extensive consultation with tenants before major works or long term contracts are entered into. The regime is contained in the Landlord and Tenant Act 1985 Sections 18 to 30 (as amended) and Service Charges (Consultation Requirements) Regulations 2003.

Variable service charges are calculated annually on the basis of the previous years cost of service (April to March) plus estimates for some of the costs that RBH will not know. Once the financial year has ended, RBH will check the amount that was spent on delivering the service and adjust the following years charge with the surplus or deficit between the actual and estimated costs. The service charge calculation will be applied to rent accounts and charged over a 48-week period.

Loan finance issue costs

These are written off over 10 years, charged at a constant rate on the carrying amount. The life of the loan is 10 years.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the statement of financial position date.

1 Principal Accounting policies continued

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the key judgements have been made in respect of the following:

- whether there are indicators of impairment of the group's tangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit. The members have considered the measurement basis to determine the recoverable amount of assets where there are indicators of impairment based on EUV-SH or depreciated replacement cost. The members have also considered impairment based on their assumptions to define cash or asset generating units.
- the anticipated costs to complete on a development scheme based on anticipated construction cost, effective rate of interest on loans during the construction period, legal costs and other costs. Based on the costs to complete, they then determine the recoverability of the cost of properties developed for outright sale and/or land held for sale. This judgement is also based on the member's best estimate of sales value based on economic conditions within the area of development.
- the critical underlying assumptions in relation to the estimate of the pension defined benefit scheme obligation such as standard rates of inflation, mortality, discount rate and anticipated future salary increases. Variations in these assumptions have the ability to significantly influence the value of the liability recorded and annual defined benefit expense.
- whether leases entered into by the group either as a lessor or a lessee are operating leases or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.
- the treatment of the loan agreement as basic with regard to FRS 102.

Other key sources of estimation uncertainty

- Tangible fixed assets (see note 14)
Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

For housing property assets, the assets are broken down into components based on management's assessment of the properties. Individual useful economic lives are assigned to these components.

- Rental and other trade receivables (debtors) (see note 19)
The estimate for receivables relates to the recoverability of the balances outstanding at year end. A review is performed on an individual debtor basis to consider whether each debt is recoverable.

2 Particulars of turnover, cost of sales, operating costs and operating surplus

Continuing activities

| RBH Group (2018) | Turnover | Operating costs | Operating surplus |
|---|---------------|-----------------|-------------------|
| | £'000 | £'000 | £'000 |
| Social housing lettings (Note 3) | 52,789 | (38,689) | 14,100 |
| Other social housing activities | | | |
| Support services | 1,050 | (969) | 81 |
| Garages | 411 | (0) | 411 |
| Shops | 194 | (6) | 188 |
| Homeless | 1,316 | (1,105) | 211 |
| United Utilities commission | 821 | - | 821 |
| Non-social housing activities | | | |
| Leaseholders | 301 | (151) | 150 |
| Other | 300 | 38 | 338 |
| | 57,182 | (40,882) | 16,300 |

| RBH Group (2017) | Turnover | Operating costs | Operating surplus |
|---|---------------|-----------------|-------------------|
| | £'000 | £'000 | £'000 |
| Social housing lettings (Note 3) | 53,991 | (39,481) | 14,510 |
| Other social housing activities | | | |
| Support services | 521 | (1,092) | (571) |
| Garages | 440 | (2) | 438 |
| Shops | 196 | (9) | 187 |
| Homeless | 1,307 | (1,074) | 233 |
| United Utilities commission | 879 | - | 879 |
| Non-social housing activities | | | |
| Leaseholders | 330 | (210) | 120 |
| Other | 38 | (3) | 35 |
| | 57,702 | (41,871) | 15,831 |

2 Particulars of turnover, cost of sales, operating costs and operating surplus

Continuing activities

| RBH Limited (2018) | Turnover | Operating costs | Operating surplus |
|---|---------------|-----------------|-------------------|
| | £'000 | £'000 | £'000 |
| Social housing lettings (Note 3) | 53,163 | (38,684) | 14,479 |
| Other social housing activities | | | |
| Support services | 1,050 | (969) | 81 |
| Garages | 411 | - | 411 |
| Shops | 194 | (6) | 188 |
| Homeless | 1,316 | (1,105) | 211 |
| United Utilities commission | 821 | - | 821 |
| Non-social housing activities | | | |
| Leaseholders | 301 | (151) | 150 |
| Other | 38 | (3) | 35 |
| | 57,294 | (40,918) | 16,376 |

| RBH Limited (2017) | Turnover | Operating costs | Operating surplus |
|---|---------------|-----------------|-------------------|
| | £'000 | £'000 | £'000 |
| Social housing lettings (Note 3) | 54,044 | (39,463) | 14,581 |
| Other social housing activities | | | |
| Support services | 521 | (1,092) | (571) |
| Garages | 440 | (2) | 438 |
| Shops | 196 | (9) | 187 |
| Homeless | 1,307 | (1,074) | 233 |
| United Utilities commission | 879 | - | 879 |
| Non-social housing activities | | | |
| Leaseholders | 330 | (210) | 120 |
| Other | 38 | (3) | 35 |
| | 57,755 | (41,853) | 15,902 |

3 Particulars of income and expenditure from social housing lettings

| RBH Group (2018) | General needs | Supported housing | 2018 Total | 2017 Total |
|---|--------------------------|------------------------------|-------------------|-------------------|
| | £'000 | £'000 | £'000 | £'000 |
| INCOME | | | | |
| Rent receivable net of identifiable service charges | 45,311 | 3,218 | 48,529 | 49,321 |
| Service income | 2,762 | 991 | 3,753 | 4,038 |
| Amortised government grants | 69 | 9 | 78 | 68 |
| Other revenue grants | 178 | - | 178 | 100 |
| Other | 67 | 184 | 251 | 464 |
| Turnover from social housing lettings | 48,387 | 4,402 | 52,789 | 53,991 |
| EXPENDITURE | | | | |
| Management | (13,610) | (2,163) | (15,773) | (15,905) |
| Service charge costs | (3,035) | (1,377) | (4,412) | (4,456) |
| Routine maintenance | (8,992) | (676) | (9,668) | (8,443) |
| Planned maintenance | (2,400) | (188) | (2,588) | (1,549) |
| Major repairs expenditure | (2,743) | (32) | (2,775) | (5,411) |
| Bad debts | 362 | - | 362 | (210) |
| Depreciation of housing properties | (3,250) | (585) | (3,835) | (3,507) |
| Operating costs on social housing lettings | (33,668) | (5,021) | (38,689) | (39,481) |
| Operating surplus on social housing lettings | 14,719 | (619) | 14,100 | 14,510 |
| Empty Homes losses | 936 | 71 | 1,007 | 1,049 |
| RBH Limited (2018) | General needs | Supported housing | 2018 Total | 2017 Total |
| | £'000 | £'000 | £'000 | £'000 |
| INCOME | | | | |
| Rent receivable net of identifiable service charges | 45,311 | 3,218 | 48,529 | 49,321 |
| Service charge income | 2,762 | 991 | 3,753 | 4,038 |
| Amortised government grants | 69 | 9 | 78 | 68 |
| Other revenue grants | 178 | - | 178 | 100 |
| Other | 441 | 184 | 625 | 517 |
| Turnover from social housing lettings | 48,761 | 4,402 | 53,163 | 54,044 |
| EXPENDITURE | | | | |
| Management | (13,605) | (2,163) | (15,768) | (15,887) |
| Service charge costs | (3,035) | (1,377) | (4,412) | (4,456) |
| Routine maintenance | (8,992) | (676) | (9,668) | (8,443) |
| Planned maintenance | (2,400) | (188) | (2,588) | (1,549) |
| Major repairs expenditure | (2,743) | (32) | (2,775) | (5,411) |
| Bad debts | 362 | - | 362 | (210) |
| Depreciation of housing properties | (3,250) | (585) | (3,835) | (3,507) |
| Operating costs on social housing lettings | (33,663) | (5,021) | (38,684) | (39,463) |
| Operating surplus on social housing lettings | 15,098 | (619) | 14,479 | 14,581 |
| Empty Homes losses | 936 | 71 | 1,007 | 1,049 |

4 Accommodation in management and development

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

| | 31/3/2018 | 31/3/2017 |
|--|---------------|---------------|
| Social housing | | |
| Under development | 35 | 46 |
| General housing | 11,976 | 12,107 |
| Supported housing and housing for older people | 969 | 967 |
| Shared ownership | 9 | 9 |
| Total owned (RBH Limited) | 12,989 | 13,129 |
| Managed for others | 13 | 13 |
| Total owned and managed | 13,002 | 13,142 |
| Non- social housing | | |
| Owned | 1 | 1 |
| Managed for others | 34 | 34 |

5 Surplus on ordinary activities before taxation

The operating surplus is arrived at after charging:

| | RBH Group | | RBH Limited | |
|---|-------------------------|-------------------------|-------------------------|-------------------------|
| | Year ended 31/3/2018 | Year ended 31/3/2017 | Year ended 31/3/2018 | Year ended 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Depreciation of housing properties | 3,835 | 3,017 | 3,835 | 3,017 |
| Depreciation of other tangible fixed assets | 447 | 490 | 447 | 490 |
| Restructuring costs | 182 | 595 | 182 | 595 |
| Operating lease rentals | | | | |
| - Premises leases | 391 | 516 | 391 | 516 |
| - Vehicles | 395 | 228 | 395 | 228 |
| Auditors' remuneration | | | | |
| - External auditors – in their capacity as auditors | 24 | 23 | 18 | 20 |
| - External auditors – for taxation services | - | 5 | - | 5 |
| - External auditors – for non audit services | 4 | 7 | 4 | 7 |
| - Internal auditors | 53 | 55 | 53 | 55 |

6 Surplus on sale of fixed assets - housing properties

| | RBH Group | | RBH Limited | |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Year ended 31/3/2018 | Year ended 31/3/2017 | Year ended 31/3/2018 | Year ended 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Disposal proceeds | 6,560 | 6,429 | 6,560 | 6,429 |
| Cost of sales | (1,205) | (1,532) | (1,205) | (1,532) |
| Claw back costs to Rochdale Council | (1,249) | (1,550) | (1,249) | (1,550) |
| Surplus | 4,106 | 3,347 | 4,106 | 3,347 |

7 Interest receivable and other income

| | RBH Group | | RBH Limited | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | Year ended 31/3/2018 | Year ended 31/3/2017 | Year ended 31/3/2018 | Year ended 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Interest receivable on short term deposits | 62 | 31 | 62 | 31 |

8 Interest payable and similar charges

| | RBH Group | | RBH Limited | |
|-------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Year ended 31/3/2018 | Year ended 31/3/2017 | Year ended 31/3/2018 | Year ended 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Interest payable on long term loans | 4,245 | 3,528 | 4,245 | 3,528 |
| Loan Finance issue costs | 70 | 343 | 70 | 343 |
| Other finance costs | 228 | 688 | 228 | 688 |
| Total | 4,543 | 4,559 | 4,543 | 4,559 |

9 Other Finance income/ (costs)

| | RBH Group | | RBH Limited | |
|--|-------------------------|-------------------------|-------------------------|-------------------------|
| | Year ended 31/3/2018 | Year ended 31/3/2017 | Year ended 31/3/2018 | Year ended 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Interest income on plan assets | 3,302 | 3,575 | 3,302 | 3,575 |
| Interest cost on obligations | (3,714) | (3,982) | (3,714) | (3,982) |
| Pension finance costs (Note 12) | (412) | (407) | (412) | (407) |

10 Employees

Average monthly number of employees expressed as full time equivalents:

| Employee Numbers: | RBH Group | | RBH Limited | |
|-----------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Year ended 31/3/2018 | Year ended 31/3/2017 | Year ended 31/3/2018 | Year ended 31/3/2017 |
| Housing management | 248 | 236 | 248 | 236 |
| Housing maintenance | 219 | 248 | 219 | 248 |
| Administrative and Clerical | 105 | 104 | 105 | 104 |
| Total | 572 | 588 | 572 | 588 |

Full time equivalents are calculated based on a standard working week of 36.25 hours.

| Employee costs: | RBH Group | | RBH Limited | |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Year ended 31/3/2018 | Year ended 31/3/2017 | Year ended 31/3/2018 | Year ended 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Wages and salaries | 14,901 | 14,869 | 14,901 | 14,869 |
| Social security costs | 1,368 | 1,367 | 1,368 | 1,367 |
| Other pension costs | 2,469 | 2,478 | 2,469 | 2,478 |
| Total | 18,738 | 18,714 | 18,738 | 18,714 |

The majority of the society's employees are members of the Greater Manchester Pension Fund (GMPF). Further information on the scheme is in note 12. Since the GMPF was closed to new entrants from 1st January 2017, new employees and those being auto-enrolled have been admitted to a defined contribution scheme administered by the Royal London Scheme. In addition RBH has 4 employees who are not on RBH's terms and conditions and therefore we also operate the NEST scheme for these employees.

11 Board members and executive directors

The remuneration paid to the Board members and executive directors of RBH (including the Executive Management Team) was

| | Year ended 31/3/2018 | Period ended 31/3/2017 |
|--|-------------------------|---------------------------|
| | £000 | £000 |
| Aggregate emoluments payable to Chair of the Board and Executive Management Team (including pension contributions) | 427 | 422 |
| Pension contributions in the year amounted to: | 64 | 64 |

For 2017-18 the Representative Body agreed that the Chair of the Board should be remunerated. The Chair started in September 2017 and was remunerated £6k for the year. No other Board members receive a salary. Expenses paid to board members in total were £4k (2017:£3k).

The emoluments of the directors include £120k (Chief Executive – the highest paid director) and £85k (Deputy Chief Executive and Director of Resources), excluding pension contributions (2017: £121k and £86k respectively). The pension contributions for the Chief Executive as the highest paid director are £22k (2017: £22k).

The Chief Executive is a normal member of the Greater Manchester Pension Fund. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The society does not make any further contribution to an individual pension arrangement for the Chief Executive.

The remuneration paid to employees (including executive management) earning over £60,000 upwards:

| | Year ended 31/3/2018 | Year ended 31/3/2017 |
|---------------------------------|-------------------------|-------------------------|
| Including pension contributions | No. | No. |
| £60k - £70k | 1 | 1 |
| £70k - £80k | 2 | 1 |
| £80k - £90k | 1 | 1 |
| £90k - £100k | 1 | 1 |
| £100k - £110k | 1 | 1 |
| £110k - £120k | - | - |
| £120k - £130k | - | - |
| £130k - £140k | - | - |
| £140k - £150k | 1 | 1 |

12 Greater Manchester Pension Fund (Group and RBH Limited)

RBH participates in the Greater Manchester Local Government Pension Scheme (LGPS), a multi-employer funded defined benefit scheme where contributions payable are held in a trust separately for RBH.

Valuations are performed by a qualified actuary, using the projected unit credit method as required by Accounting Standards. The results of the last formal actuarial valuation have been projected forward from this point using approximate methods.

RBH is an Admitted Body and has an Admission Agreement with Greater Manchester Pension Fund in its own right. The employers' contributions to Pension Fund for the period ended 31st March 2018 were £2.456M (2017: £3.011M).

Financial assumptions

| | 31 March 2018 | 31 March 2017 |
|--------------------------|---------------|---------------|
| | %per annum | %per annum |
| Discount rate | 2.7 | 2.6 |
| Future salary increases | 3.2 | 3.2 |
| Future pension increases | 2.4 | 2.4 |

Mortality assumptions

Life expectancy is based on the funds VitaCurves with future improvements in line with the CMI 2013 model assuming the current rate of improvements has peaked and will converge to a long term rate of 1.25%.

Under the mortality assumptions used, the future life expectancy at the age of 65 is as follows:

| | 2018 | 2017 |
|--------------------|--------------|--------------|
| Current Pensioners | No. of years | No. of years |
| Males | 21.5 | 21.5 |
| Females | 24.1 | 24.1 |
| Future Pensioners | | |
| Males | 23.7 | 23.7 |
| Females | 26.2 | 26.2 |

Commutation

An allowance is included for future retirements to elect to take 55% of the maximum additional tax-free cash up to HMRC limits for pre-April 2008 service and 80% of the maximum tax-free cash for post-April 2008 service.

12 Greater Manchester Pension Fund continued

Analysis of the amount charged/(credited) to the statement of comprehensive income:

| Year ended 31 March | 2018 | 2017 |
|---|--------------|--------------|
| | £000 | £000 |
| Expected return on employer assets | (3,302) | (3,575) |
| Interest cost | 3,714 | 3,982 |
| Total charged to other finance (income)/costs (Note 9) | 412 | 407 |
| Current service cost | 5,348 | 3,524 |
| Losses on Curtailments and Settlements | 149 | 934 |
| Total charged to administrative expenses | 5,497 | 4,458 |
| Total charge recorded in the statement of comprehensive income | 5,909 | 4,865 |

Analysis of remeasurements recognised in other comprehensive income

| Year ended 31 March | 2018 | 2017 |
|--|----------------|----------------|
| | £000 | £000 |
| Actual return less expected return on pension scheme assets | 558 | 19,837 |
| Experience gains and losses arising on the scheme liabilities | - | 5,213 |
| Changes in assumptions underlying the present value of the schemes liabilities | 3,085 | (26,623) |
| Actuarial gain/(loss) recognised in other comprehensive income | 3,643 | (1,573) |
| Cumulative Actuarial Losses | (1,064) | (4,707) |

Amounts recognised in the statement of financial position

| Net pension liability at 31 March | 2018 | 2017 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Present value of funded liabilities | 131,496 | 126,531 |
| Fair value of employer assets (bid value) | (145,649) | (140,874) |
| Net liability recognised in the statement of financial position | (14,153) | (14,343) |

Reconciliation of defined benefit obligation

| | 2018 | 2017 |
|---|----------------|----------------|
| | £000 | £000 |
| Opening defined benefit obligation | 140,874 | 112,267 |
| Current service cost | 5,348 | 3,524 |
| Interest cost | 3,714 | 3,982 |
| Contributions by members | 861 | 917 |
| Actuarial (gains)/loss | (3,085) | 21,410 |
| Losses on Curtailments | 149 | 934 |
| Estimated Benefits paid | (2,212) | (2,160) |
| Closing defined benefit obligation | 145,649 | 140,874 |

The service cost figures includes an allowance for administration expenses of 0.3% (2017: 0.2%) of payroll.

12 Greater Manchester Pension Fund continued

Reconciliation of fair value of employer assets

| | 2018 | 2017 |
|--|----------------|----------------|
| | £000 | £000 |
| Opening fair value of employer assets | 126,531 | 101,351 |
| Expected return on assets | 3,302 | 3,575 |
| Contribution by members | 861 | 917 |
| Contribution by employer | 2,456 | 3,011 |
| Actuarial gains/(losses) | 558 | 19,837 |
| Benefits paid | (2,212) | (2,160) |
| Closing fair value of employer assets | 131,496 | 126,531 |

Major categories of plan assets as a percentage of total plan assets

| | 2018 | 2017 |
|------------|------|------|
| Equities | 66% | 75% |
| Bonds | 16% | 16% |
| Properties | 7% | 5% |
| Cash | 11% | 4% |

Amounts for the current and previous four accounting periods

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-----------|-----------|-----------|-----------|----------|
| | £000 | £000 | £000 | £000 | £000 |
| Fair value of employer assets | 131,496 | 126,531 | 101,351 | 100,200 | 86,453 |
| Present value of defined benefit obligation | (145,649) | (140,874) | (112,267) | (118,559) | (92,312) |
| Deficit on scheme | (14,153) | (14,343) | (10,916) | (18,359) | (5,859) |
| Experience (losses)/Gains on assets | 558 | 19,837 | (3,825) | 6,481 | (530) |
| Experience (losses)/Gains on liabilities | - | 5,213 | 961 | 572 | (1,575) |

Sensitivity analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

| Change in assumptions at year ended 31 March 2018 | Approximate % Increase to employer liability | Approximate monetary amount £000 |
|--|--|--|
| 0.5% decrease in real discount rate | 11% | 16,097 |
| 0.5% increase in salary increase rate | 2% | 3,368 |
| 0.5% increase in pension increase rate | 9% | 12,448 |

12 Greater Manchester Pension Fund continued

Projected pension expense for the year ended 31 March 2019

| | Year ended 31/03/2019 £000 | Year ended 31/03/2019 % of pay |
|------------------------------------|----------------------------------|--------------------------------------|
| Projected current service cost | (5,173) | (38.3%) |
| Expected return on employer assets | 3,564 | 26.4% |
| Interest on obligation | (3,983) | (29.5%) |
| Total | (5,592) | (41.4%) |

Employer's contributions for the year ended 31 March 2019 are estimated to be approximately £2,431,000.

13 Taxation (Group)

| | Year ended 31/03/2018 £000 | Year ended 31/03/2017 £000 |
|--|----------------------------------|----------------------------------|
| Current tax | £000 | £000 |
| UK corporation tax on surplus for the year | - | - |
| Share of JV taxation charge | - | 48 |
| Total tax charge | - | 48 |

The group did not incur a tax charge in the year as RBH Limited has been granted exemption from taxation under Section 505 of the Income and Corporation Taxes Act 1988 because of its charitable status. The trading subsidiary, RBH (D&B) Ltd made a qualifying charitable donation to RBH Limited in the current and prior year to eliminate any taxable profits.

14a Tangible fixed assets - properties (RBH Group)

| | Held for Letting £'000 | | | Shared Ownership £'000 | | | Non-Social Properties | TOTAL |
|------------------------------|------------------------|-----------------------|---------|------------------------|-----------------------|-------|--------------------------|---------|
| | Completed | Under Construction | Total | Completed | Under Construction | Total | | |
| COST | | | | | | | | |
| At 1 April 2017 | 130,885 | 5,797 | 136,682 | 80 | - | 80 | 24 | 136,786 |
| Additions | 134 | 4,951 | 5,085 | - | - | - | - | 5,085 |
| Capitalisation of Components | - | 7,897 | 7,897 | - | - | - | 5 | 7,902 |
| Disposals | (1,067) | - | (1,067) | - | - | - | - | (1,067) |
| Transfers | 14,944 | (14,944) | - | - | - | - | - | - |
| At 31 March 2018 | 144,896 | 3,701 | 148,597 | 80 | - | 80 | 29 | 148,706 |
| DEPRECIATION | | | | | | | | |
| At 1 April 2017 | 7,192 | - | 7,192 | 1 | - | 1 | 3 | 7,196 |
| Charge for the Year | 3,834 | - | 3,834 | - | - | - | 1 | 3,835 |
| Disposals | (167) | - | (167) | - | - | - | - | (167) |
| 31st March 2018 | 10,859 | - | 10,859 | 1 | - | 1 | 4 | 10,864 |
| NET BOOK VALUE | | | | | | | | |
| At 31/03/2018 | 134,037 | 3,701 | 137,738 | 79 | - | 79 | 25 | 137,842 |
| At 31/03/2017 | 123,693 | 5,797 | 129,490 | 79 | - | 79 | 21 | 129,590 |

The group considers each separate housing property scheme in its fixed asset register to represent separate cash generating units (CGU's) when assessing for impairment in accordance with the requirements of FRS 102 and SORP 2014.

During the current year, the group and association have recognised an impairment loss of £NIL (2017: £NIL) in respect of general needs housing stock.

14b Tangible fixed assets - properties (RBH)

| | Held for Letting £'000 | | | Shared Ownership £'000 | | | | |
|------------------------------|------------------------|--------------|---------|------------------------|--------------|-------|------------|---------|
| | | Under | | | Under | | Non-Social | |
| | Completed | Construction | Total | Completed | Construction | Total | Properties | TOTAL |
| COST | | | | | | | | |
| At 1 April 2017 | 130,982 | 6,557 | 137,539 | 80 | - | 80 | 24 | 137,643 |
| Additions | 134 | 4,818 | 4,952 | - | - | - | - | 4,952 |
| Capitalisation of Components | - | 7,897 | 7,897 | - | - | - | 5 | 7,902 |
| Disposals | (1,067) | - | (1,067) | - | - | - | - | (1,067) |
| Transfers | 14,944 | (14,944) | - | - | - | - | - | - |
| At 31 March 2018 | 144,993 | 4,328 | 149,321 | 80 | - | 80 | 29 | 149,430 |
| DEPRECIATION | | | | | | | | |
| At 1 April 2017 | 7,231 | - | 7,231 | - | - | - | 3 | 7,234 |
| Charge for the Year | 3,834 | - | 3,834 | - | - | - | 1 | 3,835 |
| Disposals | (167) | - | (167) | - | - | - | - | (167) |
| 31st March 2018 | 10,898 | - | 10,898 | - | - | - | 4 | 10,902 |
| NET BOOK VALUE | | | | | | | | |
| At 31/03/2018 | 134,095 | 4,328 | 138,423 | 80 | - | 80 | 25 | 138,528 |
| At 31/03/2017 | 123,751 | 6,557 | 130,308 | 80 | - | 80 | 21 | 130,409 |

14c Tangible fixed assets – other (RBH Group and RBH Limited)

| | Offices £'000 | Plant & Machinery £'000 | Fixtures & Fittings £'000 | IT Systems £'000 | F&F & IT Assets under Construction £'000 | Land £'000 | TOTAL £'000 |
|-----------------------|------------------|-------------------------------|---------------------------------|---------------------|--|---------------|----------------|
| COST | | | | | | | |
| At 1 April 2017 | 778 | 151 | 164 | 1,737 | 250 | 200 | 3,280 |
| Additions | - | - | 16 | 224 | 36 | - | 276 |
| Disposals | - | (87) | - | - | - | - | (87) |
| At 31 March 2018 | 778 | 64 | 180 | 1,961 | 286 | 200 | 3,469 |
| DEPRECIATION | | | | | | | |
| At 1 April 2017 | 196 | 69 | 117 | 1,062 | - | - | 1,444 |
| Charge for the Year | 107 | 15 | 29 | 296 | - | - | 447 |
| Disposals | - | (40) | - | - | - | - | (40) |
| 31st March 2018 | 303 | 44 | 146 | 1,358 | - | - | 1,851 |
| NET BOOK VALUE | | | | | | | |
| At 31/03/2018 | 475 | 20 | 34 | 603 | 286 | 200 | 1,618 |
| At 31/03/2017 | 582 | 82 | 47 | 675 | 250 | 200 | 1,836 |

15 Intangible Fixed Assets

| | RBH Group | | RBH Limited | |
|-----------------------------|-----------|-----------|-------------|-----------|
| | 31/3/2018 | 31/3/2017 | 31/3/2018 | 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Balance as at 1 April 2017 | - | - | - | - |
| Additions | 215 | - | - | - |
| Write off in year | (215) | - | - | - |
| Balance as at 31 March 2018 | - | - | - | - |

The goodwill recognised as an addition in the year related to the purchase of SSL for £828k. Following a review of SSL's financial performance for 2017-18 and future plans, RBH's investment in SSL was impaired to £469k (Note 30) and the initial goodwill recognised was written off.

16 Improvements to Housing Properties

| | RBH Group | | RBH Limited | |
|--|-----------|-----------|-------------|-----------|
| | 31/3/2018 | 31/3/2017 | 31/3/2018 | 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Improvements to existing properties capitalised | 7,902 | 13,182 | 7,902 | 13,182 |
| Major repairs expenditure to statement of comprehensive income | 2,775 | 5,411 | 2,775 | 5,411 |
| | 10,677 | 18,593 | 10,677 | 18,593 |

17 Capital commitments

| | at 31/3/2018 | at 31/3/2017 |
|---|--------------|--------------|
| Capital expenditure | £000 | £000 |
| Expenditure contracted for but not provided in the accounts | 2,956 | 6,914 |
| Expenditure authorised by the board, but not contracted | - | - |
| | 2,956 | 6,914 |
| RBH expects these to be financed by: | | |
| SHG | - | - |
| Committed Loan Facilities | 2,956 | 6,914 |
| | 2,956 | 6,914 |

18 Stock

| | RBH Group | | RBH Limited | |
|--------------------|-----------|-----------|-------------|-----------|
| | 31/3/2018 | 31/3/2017 | 31/3/2018 | 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Materials in stock | 504 | 355 | 504 | 355 |

The replacement cost of stock is not materially different from the carrying value of stock in both the current and prior year.

19 Debtors

| | RBH Group | | RBH Limited | |
|---|----------------|----------------|----------------|----------------|
| | 31/3/2018 | 31/3/2017 | 31/3/2018 | 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Due within one year | | | | |
| Rent and service charges arrears | 5,261 | 6,549 | 5,261 | 6,549 |
| Less: provision for bad and doubtful debts | (3,857) | (5,670) | (3,857) | (5,670) |
| | 1,404 | 879 | 1,404 | 879 |
| | | | | |
| Other debtors | 1,557 | 323 | 2,153 | 549 |
| Taxation - VAT | 316 | 287 | 316 | 287 |
| Short-term refurbishment obligation (Note 23) | 7,073 | 8,962 | 7,073 | 8,962 |
| Prepayments and accrued income | 1,005 | 801 | 1,078 | 801 |
| | 11,355 | 11,252 | 12,024 | 11,478 |
| Due in more than one year | | | | |
| Refurbishment obligation (Note 23) | 460,541 | 466,554 | 460,541 | 466,554 |
| Total debtors | 471,896 | 477,806 | 472,565 | 478,032 |

20 Creditors: Due within one year

| | RBH Group | | RBH Limited | |
|--|---------------|---------------|---------------|---------------|
| | 31/3/2018 | 31/3/2017 | 31/3/2018 | 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Loans and overdrafts | 109 | 104 | 109 | 104 |
| Trade Creditors | 2,594 | 1,931 | 2,408 | 1,942 |
| Rent and service charges received in advance | 46 | 4 | 46 | 4 |
| Taxation and social security | 358 | 421 | 351 | 388 |
| Deferred capital grant (Note 22) | 85 | 85 | 85 | 85 |
| Accruals and deferred income | 3,425 | 3,365 | 3,997 | 3,362 |
| Short term refurbishment provision | 7,073 | 8,962 | 7,073 | 8,962 |
| Amounts owed to Group undertakings | - | - | 213 | - |
| Total | 13,690 | 14,872 | 14,282 | 14,847 |

Amounts due to Group undertakings are due on demand and interest free.

21 Creditors: Amounts falling due after more than one year

| | RBH Group | | RBH Limited | |
|--|---------------|---------------|---------------|---------------|
| | 31/3/2018 | 31/3/2017 | 31/3/2018 | 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| Due after more than one year | | | | |
| Loans repayable on maturity: | | | | |
| Due between two and five years | 20,000 | 40,000 | 20,000 | 40,000 |
| Due in five years or more | 20,000 | 20,000 | 20,000 | 20,000 |
| Loans repayable by instalments: | | | | |
| Due between one and two years | 114 | 109 | 114 | 109 |
| Due between two and five years | 374 | 358 | 374 | 358 |
| Due in five years or more | 2,265 | 2,395 | 2,265 | 2,395 |
| | 2,753 | 2,862 | 2,753 | 2,862 |
| | | | | |
| | 42,753 | 62,862 | 42,753 | 62,862 |
| Loan arrangement fees | (601) | (671) | (601) | (671) |
| Total loans | 42,152 | 62,191 | 42,152 | 62,191 |
| Deferred capital grant (Note 22) | 12,707 | 9,667 | 12,707 | 9,667 |
| Total | 54,859 | 71,858 | 54,859 | 71,858 |

Loans are secured by specific charges on the housing properties of the group. The loans bear interest at fixed rates ranging from 4.7% to 5.9% or at variable rates calculated at a margin above the London Inter Bank Offer Rate.

22 Deferred Capital Grant

| | RBH Group | | RBH Limited | |
|--------------------------------------|---------------|--------------|---------------|--------------|
| | 31/03/2018 | 31/03/2017 | 31/03/2018 | 31/03/2017 |
| | £'000 | £'000 | £'000 | £'000 |
| At 1 April | 9,751 | 7,410 | 9,751 | 7,410 |
| Grants received during the year | 3,119 | 2,409 | 3,119 | 2,409 |
| Released to income during the year | (78) | (68) | (78) | (68) |
| | | | | |
| At 31 March | 12,792 | 9,751 | 12,792 | 9,751 |
| | | | | |
| Amounts due in less than one year | 85 | 85 | 85 | 85 |
| Amounts due in greater than one year | 12,707 | 9,666 | 12,707 | 9,666 |
| Total | 12,792 | 9,751 | 12,792 | 9,751 |

23 Refurbishment Provision

| | RBH Group | | RBH Limited | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 31/3/2018 | 31/3/2017 | 31/3/2018 | 31/3/2017 |
| | £000 | £000 | £000 | £000 |
| At 1 April | 475,516 | 488,698 | 475,516 | 488,698 |
| Improvement expenditure (Note 16) | (7,902) | (13,182) | (7,902) | (13,182) |
| Balance at 31 March | 467,614 | 475,516 | 467,614 | 475,516 |
| | | | | |
| Short-term | 7,073 | 8,962 | 7,073 | 8,962 |
| Long-term | 460,541 | 466,554 | 460,541 | 466,554 |
| | 467,614 | 475,516 | 467,614 | 475,516 |

This provision represents RBH's liability to carry out refurbishment works included in the Works Agreement with Rochdale Council. It will be written off when the work to housing properties is actually undertaken. This is also recognised as a debtor (see note 19).

24 Provision for liabilities

| | RBH Group | | RBH Limited | |
|--|------------|------------|-------------|------------|
| | 31/3/2018 | 31/3/2017 | 31/3/2018 | |
| | £000 | £000 | £000 | £000 |
| At beginning of the period | 195 | 740 | 195 | 740 |
| Amounts provided during the year | 230 | 195 | 225 | 195 |
| Utilised during the year | (45) | (164) | (45) | (164) |
| Released in year | (150) | (576) | (150) | (576) |
| Provisions at end of the period | 230 | 195 | 225 | 195 |

At 31st March 2018 the provision for re-structuring costs stood at £157k. The provision for liabilities against Annual Leave and Work Life Balance at £68k. It is expected that all costs will be paid out during 2018-19.

25 Financial instruments

The RBH Group and RBH Limited financial instruments may be analysed as follows:

| | RBH Group | | RBH Limited | |
|---|--------------|---------------|--------------|---------------|
| | 31/3/2018 | 31/3/2017 | 31/3/2018 | 31/3/2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Financial assets | | | | |
| Financial assets measured at historical cost | | | | |
| Trade receivables | 1,404 | 879 | 1,404 | 879 |
| Other receivables | 1,557 | 1,122 | 2,153 | 1,350 |
| Cash and cash equivalents | 6,242 | 13,402 | 5,672 | 13,181 |
| Total financial assets | 9,203 | 15,403 | 9,229 | 15,410 |
| Financial liabilities | | | | |
| Financial liabilities measured at amortised cost | | | | |
| Loans payable | 42,152 | 62,191 | 42,152 | 62,191 |
| Financial liabilities measured at historical cost | | | | |
| Trade creditors | 2,594 | 1,931 | 2,408 | 1,942 |
| Other creditors | 3,425 | 3,365 | 3,996 | 3,362 |
| Total financial liabilities at historical cost | 6,019 | 5,296 | 6,404 | 5,304 |

26 Leasing commitments

At the end of the year RBH (Group and Ltd) had minimum lease payments under non-cancellable operating leases as set out below:

| | Year ended 31/3/2018 | Period ended 31/3/2017 |
|--|-------------------------|---------------------------|
| | £000 | £000 |
| Land and buildings amounts payable: | | |
| Not later than 1 year | 385 | 385 |
| Later than 1 year and not later than 5 years | 1,519 | 1,512 |
| Later than 5 years | 1,296 | 1,634 |
| | 3,200 | 3,531 |
| Other amounts payable: | | |
| Not later than 1 year | 395 | 393 |
| Later than 1 year and not later than 5 years | 856 | 947 |
| Later than 5 years | - | - |
| | 1,251 | 1,340 |

27 Reserves

Income and Expenditure Reserve

The Income and Expenditure Reserve includes the accumulated profits and losses arising from the statement of comprehensive income and certain items from the Statement of Changes in Equity attributable to equity shareholders net of distributions.

Pension Reserve

The Pension Reserve includes the accumulated actuarial gains and losses from the defined benefit scheme net of any amounts transferred to the income and expenditure reserve.

28 Contingent liabilities

There are no contingent liabilities at 31 March 2018.

29 Related parties

All transactions with group subsidiaries are calculated in line with the Group Transfer Pricing Policy and are therefore on an arms length basis.

Executive and Senior Management - Chief Executive, Gareth Swarbrick is a director of Rochdale Housing Initiative, a housing partnership company which brings together registered providers of social housing in the borough. The Chief Executive is also a director of Safegard Solutions Limited and RBH Professional Limited. He receives no remuneration for either of these positions. Cath Owston (Director of Customer Services) is a director of RBH Design and Build Limited (for which she receives no remuneration).

Non-executive Directors - Lee Sugden (a Non-executive Director) was a director of RBH Design and Build until his retirement from the Board in September 2017.

Guy Millichamp has filled this vacant position from his appointment to the Board in the same month.

Representative Body - As set out in the rules of RBH, being an employee or tenant of RBH does not represent an interest in itself for business of the Representative Body. This includes those nominated from the tenant management organisations.

Transactions with non-regulated entities

The association provides management services, other services and loans to its subsidiaries. The association also receives charges from its subsidiaries. The quantum and basis of those charges is set out below.

| Payable to association from subsidiaries: | Management charges | | Other charges | |
|---|--------------------|-------|---------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Safegard Solutions Limited | 51 | - | 303 | - |
| RBH (Design & Build) Limited | 70 | 52 | 4,794 | 4,148 |
| | 121 | 52 | 5,097 | 4,148 |

| Payable by association to subsidiaries: | Management charges | | Other charges | |
|---|--------------------|-------|---------------|-------|
| | 2018 | 2017 | 2018 | 2017 |
| | £'000 | £'000 | £'000 | £'000 |
| Safegard Solutions Limited | - | - | - | - |
| RBH (Design & Build) Limited | - | - | 4,911 | 4,398 |
| | - | - | 4,911 | 4,398 |

Safegard Solutions Limited became a wholly owned subsidiary of RBH during the 2017-18 financial year.

Intra-group management fees

Intra-group management fees are receivable by the association from subsidiaries to cover the running costs the association incurs on behalf of managing its subsidiaries. The management fee is calculated on a department basis, with varying methods of allocation. The costs are apportioned as follows:

| Department | By Reference to |
|------------------------|-----------------|
| Finance | Employee Time |
| Human Resources | Employee Time |
| Information Technology | Employee Time |
| Governance | Fixed Sum |
| Legal | Fixed Sum |

Other Intra Group Charges

Other intra-group charges which are payable to the association from subsidiaries relate to employee recharges and gift aid payments.

30 Fixed asset investments

Subsidiary undertakings, associated undertakings and other investments

The principal undertakings in which RBH Limited's interest at the year end is 20% or more are as follows:

| Name | Country of incorporation or registration | Proportion of voting rights and ordinary share capital held | Nature of business |
|------------------------------|---|--|---------------------------|
| RBH Professional Limited | England | 100% | Management Services |
| RBH (Design & Build) Limited | England | 100% | Construction |
| Safegard Solutions Limited | England | 100% | Security systems |

Investment in RBH professional Limited

RBH Professional was made dormant during the 2015-16 financial year. RBH maintains an investment of £1 (2017:£1) in RBH Professional Limited.

Investment in Safegard Solutions Limited

RBH purchased the 50% shareholding held by Securecom Ltd on the 3 April 2017 and as such SSL has become a 100% wholly owned subsidiary of RBH Ltd.

| RBH Limited | 2018 | 2017 |
|-------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Cost | | |
| At 1 st April 2017 | 828 | - |
| Impairment of Investment | (359) | - |
| At 31 March 2018 | 469 | - |

Following a review of SSL's financial performance for 2017-18 and future plans, RBH's investment in SSL was impaired to £469k and the initial goodwill recognised of £215k was written off.

During the year, SSL hived up assets amounting to £213k to RBH Limited.

In 2016-17 RBH had a 50% share of SSL and as such recognised £240k of the reported profit from SSL (£480K).