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Company Registration No. 04912562
Registered Charity No. 1106969
Homes and Communities Agency No. L4435

WIRRAL PARTNERSHIP HOMES LIMITED

Report and Financial Statements

Year ended 31 March 2018



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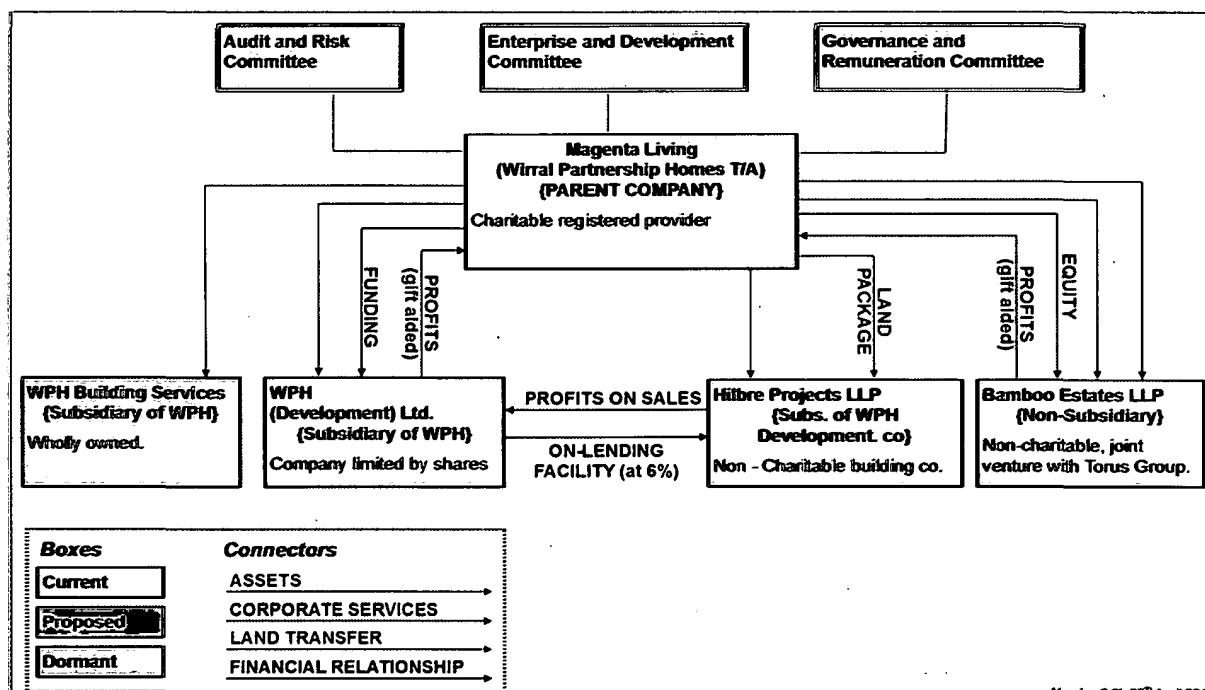
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Board Members, Executive Directors, Advisors and Bankers

Board		Date of Appointment	Date of resignation/retirement
Chair	David Clark	17 Sep 2013	
Vice Chair	Nick Gerrard	21 Oct 2016	
Other Members			
	Stuart Whittingham	03 Aug 2010	10 Sept 2018
	Jeff Green	21 May 2012	
	Steve Foulkes	03 Jan 2013	
	Muriel Wilkinson	03 Apr 2013	
	Michael Larsen	17 Sep 2013	
	Stephen Penlington	21 Oct 2016	
	Matthew Brown	13 Dec 2016	
	Phil Gandy	13 Dec 2016	
	Sharon Grover	13 Dec 2016	
	Gordon Ronald	13 Dec 2016	
Company Secretary	Patrick McCarthy		
Chief Executive	Brian Simpson		
Executive Directors			
Deputy Chief Executive and Company Secretary	Patrick McCarthy		
Executive and Strategic Director	Jayne Winders		
Director of Business Growth and Resilience	Paul Anson		
Registered office	Partnership Building Hamilton Street Birkenhead CH41 5AA		
Web site	www.magentaliving.org.uk		
Registered number	Company Registration No. 04912562 Homes England Registration No. L4435 Charities Commission registration No. 1106969		
Auditors	Grant Thornton UK LLP Chartered Accountants, Registered Auditors 4 Hardman Square Spinningfields Manchester M3 3EB		
Solicitors	Anthony Collins Solicitors LLP 134 Edmund Street Birmingham B3 2ES		
Bankers and Funders	The Royal Bank of Scotland plc 280 Bishopsgate London EC2M 4RB		

Strategic Report

The Board of Wirral Partnership Homes Limited trading as Magenta Living is pleased to present its report together with the audited financial statements of Wirral Partnership Homes Limited (WPH or the Company), a company limited by guarantee, and Wirral Partnership Homes Group (the Group) for the year ended 31 March 2018. These statements are now prepared in line with FRS 102 and use the descriptions and naming conventions associated with these accounting standards. The Group consists of the Company and one dormant subsidiary, Wirral Partnership Homes (Building Services) Limited and two trading subsidiaries, Wirral Partnership Homes (Developments) Limited and Hilbre Projects LLP (build for direct sale). In addition the Group has an involvement in a joint venture – Bamboo Estates LLP (private rented sector vehicle with Torus Housing Group). The interrelationship between the various parts of the group is shown below.



Version 3.0b 25th April 2018

Wirral Partnership Homes Limited commenced trading on 7th February 2005 in order to facilitate the transfer of homes from the Metropolitan Borough of Wirral. The Company's principal activity is the provision and management of social housing. The Company is a not for profit organisation and operates throughout the Borough of Wirral with its head office at Hamilton Street in Birkenhead. Following the transfer of the trade and assets into WPH effective from 1 April 2008, Wirral Partnership Homes (Building Services) Limited is now dormant. WPH (Developments) Limited was incorporated in December 2011 with the principal activity being the construction of new properties for WPH. WPH (Developments) Limited commenced trading as from 1st April 2013. Bamboo Estates began trading during 2016-17 with limited activity and Hilbre Projects began trading from 1st April 2017.

The Company has the following mix of housing stock in ownership and management:

Strategic Report

Social Housing	Year End 2018	Year End 2017
General Needs:		
Opening Stock	10,760	10,780
Acquisitions	341	-
New Build	108	48
Property Sales	(102)	(68)
Reclassification	13	5
Adjustments	-	-
Transfer to Bamboo	(56)	(5)
Total General Needs	11,064	10,760
Supported Housing		
Opening Stock	1,672	1,677
Reclassification	(13)	(5)
Acquisitions	24	-
New Build	75	-
Sold	(3)	-
Total Supported Housing	1,755	1,672
Low Cost Home Ownership		
Opening stock	3	3
Acquisitions	11	-
Total Low cost home ownership	14	3
Total Housing Stock	12,833	12,435

Business and Financial Review

The Board reports a Group operating surplus of £18.1 million (2017: £20.5 million restated due to the gain on disposal of fixed assets of £1,651k now shown with operating surplus). The Group has continued to invest in both its existing stock and undertake new developments for affordable housing to rent. Our New Build programme continues to cover a number of areas including building homes outside of Wirral.

Magenta Living has continued to develop throughout a period of significant change in the economic climate of social housing development. We have built a wide range of properties including specialist accommodation for older people and people with disabilities and a small number of shops. We have also worked with a local Housing Association (Pier Head Housing Association) and a local charity (WirralArk) to manage their new developments. The table on page 6 illustrates the 814 homes we have built since transfer. Over 600 of these are within Wirral and in the last year Magenta Living has completed 106 units.

In addition to this, Magenta Living finalised the successful purchase and transfer of over 400 homes from Your Housing Group (YHG), a large social housing provider, for £22.3 million. Magenta Living were selected as the preferred purchaser, based on both quality and price, of all YHG's existing Wirral stock which also includes leasehold, shared ownership, supported properties and garages. This followed a successful tenant consultation and a detailed due diligence process.

Strategic Report

Area	Units	Year
Wirral	39	2009
Wirral	4	2011
Wirral	12	2012
Wirral	191	2013
Wirral	149	2014
Cheshire West and Chester	46	2015
Wirral	111	2015
Sefton	4	2016
Wirral	77	2016
Cheshire West and Chester	75	2017
Cheshire West and Chester	20	2018
Wirral	86	2018
	814	

At the year end, the Group's total unrestricted reserves amounted to £105.1 million (2017: £86 million). These reserves are not cash reserves but rather refer to the total net asset position of the company at the year end.

During 2017/18 £1.7 million (2017: £1.9 million) of expenditure on housing properties was capitalised with a further £8.5 million (2017: £5.5 million) being charged to income and expenditure.

The Group's turnover for the year ended 31 March 2018 was £64.1 million (2017: £63.7 million). This was principally from lettings £60.2 million (2017: £60.3 million) and other activities £3.6 million (2017: £2.8 million). During the year £819k was withdrawn from the Community Fund account as detailed in note 25 (2017: £3.1 million). Of the sum released, £750k was to fund Wirral Borough Council schemes and £69k to fund the Your Wirral projects.

Operating costs totalled £52.0 million (2017: £44.9 million) that included routine and planned maintenance of £13.7 million (2017: £12.7 million) and £10.2 million (2017: £7.4 million) was invested in the 2017/18 Improvement Programme, both capital and revenue expenditure, as detailed in Note 12. Management and Service costs in the year totalled £19.3 million (2017: £16.9 million) of this £4.1 million related to pension service costs (2017: £2.6 million).

In relation to property sales, a Right to Buy sharing agreement exists with the Council which was agreed at transfer. With reference to this agreement from receipts of £2,439k (2017: £2,231k), £704k (2017: £625k) is due to the Council, £2k was utilised to pay off rent arrears, with the Company keeping the balance of £1,735k (2017: £1,605k). The receipts were generated from the sale of 57 (2017: 53) properties.

Strategic Report

The Group's five year income and expenditure accounts and balance sheets are summarised in the table below.

Table 1 - Group Highlights, five year summary

For the year ended 31 March	2018	2017 (Restated**)	2016	2015 (Restated*)	2014
Income & Expenditure (£'000)					
Total turnover	64,123	63,651	62,190	62,774	56,814
Income from social housing lettings	60,177	60,329	59,029	56,334	52,251
Operating surplus	18,091	20,477	14,923	12,061	5,590
Surplus / (deficit) for the year transferred to reserves	19,031	15,353	14,839	(722)	4,388
Balance Sheet (£'000)					
Fixed assets	216,511	181,356	177,611	171,474	144,968
Net current assets	7,539	3,001	7,448	10,474	7,547
Total assets less current liabilities	224,050	184,357	185,059	181,948	152,515
Loans (due over one year)	89,300	72,764	88,685	95,067	83,286
Deferred capital grants	13,284	6,139	4,796	4,254	n/a
Deferred income	-	1,107	3,500	6,692	7,607
Other creditors due after one year	273	324	359	323	-
Pension provision MPF	16,100	18,041	17,090	19,822	9,829
Total Net Assets	105,093	85,982	70,629	55,790	51,793
Total Reserves	105,093	85,982	70,629	55,790	51,793
Housing properties owned at year end:	No.	No.	No.	No.	No.
Social Housing	12,833	12,435	12,460	12,323	12,182
Statistics					
Operating Surplus year as a % of turnover	28.2%	32.2%	24.0%	19.2%	9.8%
Operating Surplus as a % of income from social housing lettings	30.1%	31.2%	25.3%	21.4%	10.7%
Rent losses (voids and bad debts as a % of rent and service charges receivable)	2.9%	2.8%	2.7%	2.6%	3.8%
Rent losses (gross arrears as a % of rent and service charges receivable)	4.94%	4.63%	4.52%	5.02%	5.42%
Liquidity (current assets divided by current liabilities)	1.6	1.2	1.6	2.2	1.50
Total reserves per social housing property	£8,189	£6,914	£5,668	£4,527	£4,252

**The 2017 results were restated as a result of reclassifying of the gain or loss on disposal of fixed assets as operational in accordance with FRS102. Prior years have not been restated for this purpose.

*The 2015 results were restated as a result of the introduction of Financial Reporting Standard FRS 102. Prior years have not been restated.

Strategic Report

Objectives, Strategy and Performance Management

The Corporate and Company Plan represents the Board's strategic plan for Magenta Living until March 2023. It has been shaped by the Board of Magenta Living with the involvement of our stakeholders, staff and customers. It builds on the successes and achievements of previous years and sets the strategic direction for Magenta Living for the years ahead.

The world is a very different place from when Magenta Living was formed in 2005 (then known as Wirral Partnership Homes). Magenta Living is also a very different type of organisation. We have delivered real improvements in the quality of the homes and services we provide to our customers and the wider community. We have also evolved in response to the changing world around us and we have diversified to provide new services and housing products to communities on the Wirral and beyond. This plan sets out the next steps on this evolutionary journey. Our new Vision, "Vibrant...homes, lives, neighbourhoods" reflects this evolution.

The Corporate Plan sets out not just what we aim to do over the next five years, but also the ways in which we will go about it. In addition to four new strategic objectives, we have revisited and revised our corporate values. Furthermore, because the achievement and delivery of Value for Money is central to everything we do at Magenta Living, the Corporate Plan incorporates our Value for Money strategy and targets.

The next five years will present challenges and opportunities for Magenta Living and the communities we exist to serve. Our track record of delivery and continuous improvement gives great confidence that we will respond positively in the years ahead.

Our Operating Environment

The Corporate Plan has been developed by the board and management team of Magenta Living during 2017/18 and it came into force on 1 April 2018.

Any plan is a product of its time.

Following the global financial crisis in 2007/08 the UK's economy was hit badly and employment growth is yet to restore earnings to pre-downturn levels. Since the outcome of the EU referendum in June 2016 there is further uncertainty as to how Brexit will affect the economy both nationally and at a local level.

During the last ten years housing associations have worked within Government austerity and reduced public funding.

On a more direct level the Government's decision in 2015 to reduce housing association rents by 1% per annum for four years has made a significant impact on business plans and levels of expenditure.

Over the last decade the demand for housing, particularly for affordable housing has grown whilst nationally the number of new homes being built has not kept pace. Young people are now particularly finding it difficult to access home ownership.

Strategic Report

Objectives, Strategy and Performance Management (continued)

Home ownership and social renting have been declining over recent years whilst private renting has increased and now exceeds the number of social rented homes across the country.

As a social housing landlord, meeting housing need, many of our tenants receive welfare benefits particularly Housing Benefit. A number of residents have been deeply affected by reductions in payments resulting from Government welfare reform.

Homelessness and rough sleeping has been on the rise in all of the major cities and in many smaller towns up and down Britain.

Value for Money and efficiency has been an increasing focus for all associations and there has been significant change in the housing sector with more housing associations coming together in mergers making ever larger social housing landlords.

Following concerns on future funding for housing associations if they were held to be public bodies, the Government has passed a range of deregulatory measures to ensure associations remain independent organisations able to raise private finance.

This has reduced the level of oversight and control by the social housing regulator and increased the responsibilities and expectations on boards in terms of governance and financial management.

Devolution and the rise of the Metro Mayors is seeing the development of a more regional approach to strategic planning for housing going forward. This is allied to a growing and aging population and the rise of a new generation of millennials taking their place in the workforce and housing market.

Against this backdrop Magenta Living has changed and evolved to remain relevant.

Magenta Living has made many changes to the way it operates in response to the demands placed upon it. New ways of working and exploring new financial models and delivery entities has resulted in new approaches being adopted outside of the traditional housing association operating model.

This Corporate Plan builds upon the progress that Magenta Living has made over the last thirteen years since its formation.

Building on achievement

Magenta Living was formed originally as Wirral Partnership Homes in February 2005. Since then we have spent over £190m in ensuring the homes it received under stock transfer from the local council meet the Decent Homes Standard. Whilst in the early years we concentrated on improving the existing housing stock, Magenta Living has also been able to build over 800 new homes. Every service the company provides has been modernised and tenant and customer satisfaction has risen. Tenant involvement and partnership working have been integral to our way of working and will remain so.

Strategic Report

Objectives, Strategy and Performance Management (continued)

Strong Finances

Strong financial management has ensured that Magenta Living has been able to fund a comprehensive investment programme and a sizeable development programme. Magenta Living will continue to maximise its resources and will look to refinance during the life of this Corporate Plan to ensure the board's ambition to build more homes can be realised.

Ensuring the current stock remains fit for purpose

As well as building new homes over the next five years, Magenta Living will continue to invest in its existing homes to ensure they remain up to a modern standard. At the time of writing we are awaiting the recommendations from the official inquiries into the tragic fire that took place at Grenfell Tower in North Kensington. Magenta Living will ensure a full response on its eight high rise blocks. Our initial assessment indicated that no immediate remedial works are necessary at that stage but the situation is being kept under review awaiting further guidance, advice and instruction from Government.

Regeneration

In some areas wider regeneration work will be undertaken to make sure that less popular housing remains sustainable for the future. This may include demolition and replacement housing being built.

Investment in new homes

The country needs more new homes and through the Corporate Plan Magenta Living will increase its development ambitions to build more new homes.

Welfare reform

Magenta Living has supported many tenants through welfare benefit changes to date and will continue to do so with the roll out of Universal Credit during the life of the Corporate Plan.

Diversification and commercial activity

In order to create new income streams to help fund the building of new affordable homes and to provide services Magenta Living has set up two commercial entities: Hilbre Homes and Bamboo Lettings. During the life of this Corporate Plan these new bodies will continue to make a valuable contribution to Magenta Living's income allowing us to provide more truly affordable homes in the future.

Community Regeneration

To ensure sustainable neighbourhoods where people want to live, Magenta Living will establish a further entity within the group – Magenta Communities. Working with residents and partners we will ensure resources will be available for community investment in schemes which will meet local needs. Magenta Communities will be the brand we are establishing to generate social value within our neighbourhoods.

Strategic Report

Objectives, Strategy and Performance Management (continued)

Value for Money

Ensuring value for money remains a key priority for the board and management team. We will ensure economic, efficient and effective services through regular reviews of services together with benchmarking and learning from best practice.

New Generations

As the millennials enter both the workforce and housing market Magenta Living will ensure its services are responsive to these new demands. Over the life of this plan a further new generation is entering into the market place – Generation Z – and Magenta Living will change and adapt to their needs.

The advance of technology

The rise of technology and the process of digitalisation is taking place at an increasing pace and Magenta Living will offer more of its services through the use of these technologies. This work will be closely linked to the way new generations will wish to communicate and interact with Magenta Living.

Our Corporate Plan 2018/23

All of these drivers have informed the strategic objectives contained in this Corporate Plan in the furtherance of our Vision of Vibrant...homes, lives, neighbourhoods.

The success of any plan will be in how it can be adapted to take account of new situations and opportunities as they arise. Magenta Living and its staff and board will live by our company values. We will be ambitious, adaptable and accountable in order to achieve excellence.

As an organisation we always aim to work with partners and stakeholders to collect and respond to views and receive feedback. As a result, we have developed an easier to understand and more memorable framework for our Corporate Plan covering the next 5 years based on the 3 V's: our Vision, our Values and our VIBE.

What we want to achieve, our ambitious goal, our...VISION

"Vibrant...homes, lives, neighbourhoods"

How we operate, what our staff will be, to deliver our Vision, our...VALUES

- Ambitious – being bold in our pursuit of excellence
- Adaptable – being innovative to help us achieve excellence
- Accountable – acting with integrity and engaging with partners to ensure continued excellence

How we will reach our VISION, through the delivery of 4 Strategic Objectives, our...VIBE

- Vibrant, values driven culture - through our effective people

Strategic Report

Objectives, Strategy and Performance Management (continued)

- Investing in our current and future homes - through our effective use of assets
- Businesslike to deliver greater Value for Money - through our efficient processes and use of resources
- Excellent services and neighbourhoods - through our engagement with customers and partners

Within our Corporate Plan we have clearly set out what we want to achieve in the future (our Vision), identified how we will operate as an organisation working towards this Vision (our Values) and highlighted 4 clear strategic objectives we have set as we measure progress towards the achievement of this vision (our VIBE). Our VIBE makes use of a balanced scorecard approach incorporating effective people, effective use of our assets, efficient processes and use of resources and engagement with our customers. The following pages provide further details of our VIBE.

Strategic Objective 1: We will be a vibrant, values driven company through our people

This Corporate Plan sets out how we will grow, diversify and deliver modern services in more challenging operating environments. Doing this requires our Board and staff to manage increasingly complex risks and opportunities.

We recognise that our people are key to delivering our vision. This strategic objective sets out how we will ensure that our staff and Board are aligned to our values and have the right knowledge, attitude and skills to help us deliver excellent services.

We will achieve this objective in the following ways:

1. Clear and strong leadership

Activities to deliver this outcome include:

- Develop and implement clear standards and expectations of our leaders based upon our values
- Develop a clear and aligned Corporate Plan and associated strategies to ensure clarity of purpose alignment of strategic activity
- Review the rules of the company in light of recent legal changes, and develop a governance structure aligned to this Corporate Plan
- Annual Board Director Appraisal
- Deliver Board and individual Board Director Training Programmes
- Ensure that we effectively identify and engage with key partners

2. A diverse, energised and highly engaged workforce

- Deliver our Vibrant Futures Organisational Development strategy incorporating leadership development and performance management
- Develop and deliver our Succession Planning strategy incorporating "Future Talent" and "Aspiring Managers" programmes
- Develop and deliver an improved and increased apprenticeship programme to benefit people living in our neighbourhoods

Strategic Report

Objectives, Strategy and Performance Management (continued)

- We will develop a staff engagement strategy based on clear communication and recognition of staff
- We will ensure our recruitment and appointment processes strive for a diverse workforce

3. *An adaptable, ambitious and accountable workforce*

- Embed our reward and recognition strategy
- Develop, deliver and proactively manage customer service and internal staff standards to drive improvements in service quality and efficiency
- Develop and implement a programme of mandatory training to ensure all staff meet minimum standards and expectations
- Ensure a performance management framework which helps us drive performance and behaviour in line with our values
- Through our culture we will develop an organisation sustainable for the future

4. *Improved health and wellbeing for all of our employees*

- Deliver an annual tailored programme of health and wellbeing events
- Listen to feedback from employees and adapt the programme to reflect both local and national trends and awareness campaigns
- Implement an on-site Fitness and Wellbeing centre to encourage healthy exercise

Strategic Objective 2: We will be investing in our current and future homes through the effective management of our assets

We recognise that as a registered provider of social housing we have a key role in helping to address the housing challenges that the country faces; by increasing the supply of new housing to meet different needs; through the best use of our assets to optimise returns from them; and by maintaining and investing in our existing stock so the homes we provide help create vibrant neighbourhoods.

We will achieve this objective in the following ways:

1. Operate an active asset management approach that utilises robust data to inform intelligent decision making on the best use of assets into the future

Activities to deliver this outcome include:

- Review and enhance stock condition survey data to inform strategic decision making
- Refresh data pertaining to land, garage sites and tower blocks to inform decision making using the DRIPS (demolish, repair, improve postpone, sell) model
- Develop an interim action plan for properties currently showing as having a negative or marginal Net Present Value (NPV)
- Undertake options appraisal for the properties having a negative or low NPV following the refresh of our stock condition survey data
- We will ensure our work programmes are environmentally friendly and sustainable

Strategic Report

Objectives, Strategy and Performance Management (continued)

- Develop an Affordable Warmth Strategy

2. Expand the supply of excellent, quality homes with a mix of tenure types in our existing areas of operation and in new places

- Develop and deliver an increased development programme for Magenta Living
- Develop and deliver the business plan for Bamboo Lettings and Hilbre Homes with agreed returns for each which will ultimately be gift aided back to Magenta Living
- Ensure new developments are 'digitally future-proofed' as far as possible
- Develop our approach to the management of shared ownership properties
- Seek and evaluate further strategic acquisition opportunities
- Consider further diversification opportunities in response to the externally provided neighbourhood analysis undertaken by arc4 for those looking to buy or rent with new products such as an ethical equity release scheme and student / shared housing
- We will ensure our new developments are environmentally friendly and sustainable

3. In line with the Board's risk appetite statement, undertake further strategic and diversification activity to support the achievement of our Vision

- We will review our risk appetite and we will not be risk averse to new ventures
- Explore further merger and joint working opportunities which add value to the achievement of our Vision
- Explore new possible trading entities to deliver a commercial return
- We will pursue opportunities to work in collaboration with Registered Providers and other agencies

Strategic Objective 3: We will be businesslike in all our activities to deliver greater Value for Money through our efficient processes and use of resources

As a social-business with an increasingly commercial focus we have a strong track record in delivering improvements in service quality and Value for Money (VfM) but the challenges for us to do more with the resources available to us are increasing. This strategic objective sets out how we will achieve and demonstrate improvements in value for money.

We will achieve this objective in the following ways:

1. Continue to drive VfM in our core services to further create the capacity to build and invest in homes and neighbourhoods

Activities to deliver this outcome include:

- Ensure we fully understand the economy, efficiency and effectiveness of our core services
- Understand how this compares with other relevant organisations
- Review services we feel are not optimising VfM and develop and deliver improvement plans where necessary

Strategic Report

Objectives, Strategy and Performance Management (continued)

- Utilise increased digitalisation and improved ICT systems to improve VfM in service delivery

2. *Optimise the VfM we achieve through our procurement activity*

- Ensure all teams/departments are responsible and accountable for achieving VfM through procurement
- Ensure all procurement projects carried out by Magenta Living provide best VfM and comply with EU and UK procurement legislation, where applicable
- Promote corporate, social and environmental responsibility through sustainable procurement
- Integrate economic, social impact and environmental issues into procurement processes by minimising the consumption of non-renewable resources, procuring goods and services/works which are least harmful to the environment, and promoting best practice with regard to procurement and sustainability
- Drive further efficiency in the supply chain and added value we gain in partnership with our stores provider
- Explore how we can work in partnership with other housing associations to help save money

3. *Review the services we provide to individuals and other organisations to ensure the returns we generate are commensurate with the risks involved and / or add value in the delivery of our vision*

- Develop a Corporate approach (model) for evaluating potential new business opportunities based upon a set of agreed principles
- Review our business-to-business SupportLink and Contact Centre contracts to ensure they remain viable
- Develop a business case for the further marketing of Contact Centre 24/7 services, specialist housing and assistive technology
- Review the effectiveness of our Handy Person Service
- Pilot and evaluate the Trade to Measure joint initiative between Building Services and Rand Associates

4. *Ensure an effective approach to Treasury Management*

- Ensure that there are appropriate finances available to deliver a development programme, regeneration and asset investment in line with the Board's aspirations

5. *Improved accountability and transparency*

- Review Board report and minute formats to better evidence and capture VfM rationale for decision making
- Articulate our development aspirations linked to housing market analysis within Wirral as well as along the M56 corridor and into Cheshire
- Develop an approach to performance management which embeds VfM within specific business streams

Strategic Report

Objectives, Strategy and Performance Management (continued)

- Improve monitoring of services to better identify and reduce resources spent on demand failings and encourage a 'right first time' approach to boost our capacity to deliver further value
- Establish, analyse and report against our suite of key internal VfM measures and targets
- Set targets for, and benchmark against, the sector scorecard and Regulator VfM metrics within an agreed peer group
- Develop a new annual report that displays our economic, efficient and effective approach to service delivery

Strategic Objective 4: We will deliver excellent services and neighbourhoods by engaging with customers and partners

We recognise the need to offer modern, excellent quality services that existing and future customers want. We will optimise the use of staff and technological resources. Our services need to reflect the forward march of the digital era and be at a cost the company can afford. This Corporate Plan sets out how we will ensure that we also continue to operate at the neighbourhood level and support non-social housing community regeneration activity through Magenta Communities in particular. The Board value the importance of ensuring that we can offer attractive and popular environments that tenants deserve and which protect the popularity of the assets we have built and improved.

We will achieve this objective in the following ways:

1. Customers will be connected with excellent on line services and we will adopt a 'digital choice' approach to service delivery

Activities to deliver this outcome include:

- Agree and launch a new approach to customer services based on the principle of digital choice, 'why wouldn't you', with the aim of, if customers are able, engaging with Magenta Living in respect of all tenancy matters on-line from a SMART phone
- Agree, publicise and monitor revised customer service standards
- Develop our approach to 'connected homes' enabling technology in the home within both existing and new properties using the branding 'digital@home'
- Replace the current (unsupported) system for monitoring assistive technology, with an improved digital solution to enhance service delivery and use of peripheral devices in the home
- Review the impact of digitalisation and the wider 'Internet of Things' on our 'customer offer' and on internal resources

2. Better understand our customers, offer real influence through a range of engagement activities and deliver targeted community regeneration activities within our neighbourhoods

- Display that we 'know our customers' by identifying our top customer types (based on Experian Mosaic methodology) and better support those who absorb more of our resources based upon their needs. We will move away from delivering services based on a 'one size fits all model' and introduce different methods of service for different customer types, using technology to support this to drive costs down

Strategic Report

Objectives, Strategy and Performance Management (continued)

- We will recognise that we work in diverse communities and the benefits of continuing our neighbourhood working approach, despite its cost, and operate a prioritised tenancy inspection regime to support more vulnerable customers
- We will recognise the future needs and demands coming from new households forming from the Millennial generation and beyond
- Create Magenta Communities initially as a committee of the Board, measure our social value creation and prioritise community regeneration activities within targeted neighbourhoods
- Launch the scrutiny work of Compass, continue to work with Tenant and Resident Associations and the Umbrella Group, widen the number and range of customers with whom we engage and work with customers and other partners to ensure that the reputation of the organisation is maintained and enhanced

3. Day to day services that are important to customers will be agile and responsive to the changing operating environment

- Review our tenancy interactions and contacts with tenants to ensure our ICT systems are fit for purpose and provide modern digital choice
- Develop the 'make every contact count' approach by improving staff access to mobile technology with all outside staff trained in demonstrating our on line service offer
- Develop a marketing strategy for identifying new and diverse range of customers across all areas of operation
- Develop a 'tenant ready' approach to help create sustainable tenancies across all tenure types
- Review and respond to government policy challenges with new ways of working including reviewing our affordability approach when all tenants are on Universal Credit

Our Value for Money Roadmap

At Magenta Living Value for Money (VfM) runs through everything we do. For this reason we don't have a separate VfM strategy. Instead we present a summarised version of our Corporate Plan, highlighting how certain elements of the plan are aligned and complement each other to drive VfM for ourselves, our customers and our other stakeholders. These elements, all of which are drawn from the four strategic objectives set out on the previous pages are now presented as a VfM 'Roadmap'.

The VfM challenge

Delivering VfM is an ongoing challenge we must understand and respond strategically and operationally. The challenge can be defined as:

"We have finite resources with which to deliver our Vision of Vibrant...homes, lives, neighbourhoods. We must optimise the deployment of these resources to have the greatest possible impact for the benefit of the communities we serve and our other stakeholders. We must do this openly and transparently."

Strategic Report

Objectives, Strategy and Value for Money (continued)

Our VfM policies and principles

In determining our VfM strategy we have established a series of guiding policies and principles. These are a broad description of our approach to VfM and how we will go about achieving it. It includes descriptions of the types of activities which we will and won't consider in our drive to deliver improved VfM.

- We will be ambitious and adaptable in the delivery of our strategic objectives and in doing so we will be accountable to each other, our customers and stakeholders
- Our Corporate Plan covers all Company-wide improvement activity. A supplementary VfM roadmap will detail those aspects of it which specifically deliver improvements in VfM, and will contain medium-long-term targets for these improvements
- We will be open and transparent in respect of our plans, the extent to which we are achieving them and how what we do and the ways in which do it provides VfM for all of our stakeholders
- Our people are vital to our success as an organisation and to our ability to deliver VfM. We will invest in staff development in order to create a vibrant, values-based culture to facilitate this
- We recognise that setting clear standards supported by effective performance management is essential in order to drive operational efficiency. VfM will run through everything we do
- We are committed to supporting and maintaining vibrant neighbourhoods. Active Asset Management for us will never be "a numbers game"

Our VfM strategy will detail plans for improving Return on Assets through investment / divestment / tenure change, with medium to long term targets

- Investment in Commercial activity is intended to generate a return to fund further new supply of housing across a range of tenures and for investment into the provision of services which add value to the communities we serve
- We are committed to increasing our development capacity and providing a range of tenures and housing products while recognising our primary focus is and will remain affordable homes
- We will be an active and progressive agent of regeneration
- We will actively look to develop homes in Wirral where land supply allows and will seek opportunities in the wider region that make a commercial, social and regeneration impact as set out in our Growth Strategy, Corporate Plan and Value for Money Roadmap
- We recognise that delivering increased digital choice and digitalised services is essential to delivering improved operational efficiency and better services for many customers. However, we also recognise that digital access will not suit everyone and a range of access methods will always be available
- We will work in partnership with our customer to identify priorities for investment on a neighbourhood basis

Strategic Report

Objectives, Strategy and Value for Money (continued)

- We will measure the value generated from our investment in community activities

Our Operating Environment, and how it affects our VfM objectives

Since 2016 all housing associations have been required to reduce the rents they charge by 1% per year until 2020. This means that Magenta Living is required to make savings of approximately £25m to return our business plan to its original position. We are achieving this in two main ways;

- We made early and significant cuts to our management costs. These were balanced and spread across the company so that all the services upon which our customers and stakeholders rely are maintained.
- We have reprioritised and re-profiled some elements of major repairs and improvements expenditure. This has and will deliver the efficiency savings required without negatively impacting the condition of our housing stock.

We are ahead of target to deliver the required savings and in doing so have generated additional capacity in our business plan to deliver additional new homes across a range of tenures.

We are committed to working with Government to build the homes the country needs. We have plans to significantly increase investment in new homes over the next 5 years to meet different needs, with properties built for rent, sale and shared ownership. We aim to build 839 homes across a variety of tenures by 2022. 655 of these are still to be built. We are seeking to raise additional finance to increase the size of our development programme to 2,270 homes.

We have established two commercial entities to support the delivery of our development aspirations. We aim to transfer up to 100 social-rented properties into Bamboo Lettings to be let at Market rents to households who would not qualify for a social letting. This activity is expected to make a budgeted gross return of £2.1m over 5 years based. This surplus will be recycled in our core social housing business to provide an in-house subsidy to support the building of homes for social rent. We have also established Hilbre Homes which will build up to 326 homes for sale and generate profits of £3.8m over the next 5 years with these profits also being recycled into core social housing business.

As well as building new homes over the next five years we will continue to invest in our existing homes to ensure they remain up to a modern standard. At the time of writing we are awaiting the recommendations from the official inquiries into the tragic fire that took place at Grenfell Tower in North Kensington. Magenta Living will ensure a full response on its eight high rise blocks.

Universal Credit still represents the biggest risk to our income. We now have 1,250 customers claiming Universal Credit and we anticipate a further 3,300 customers will eventually receive this benefit. Despite the challenges this poses, our performance on rent collection remains very strong at over 100%.

Strategic Report

Value for Money (continued)

What have we achieved? Our strategic approach and objectives 2017-18.

2017-18 was the final year of our 2015-18 Corporate Plan. One of the four strategic objectives from that plan was **Adding Value – Effectively Managing our resources**. There were four key strategic elements to this objective and our achievements in relation to these elements are summarised below.

Optimising return on assets

In 2017/18 we developed our Active Asset Management Strategy which sets out how we will seek to understand and maximise the performance of our assets. To do this we need to ensure that the information we hold on our assets is as accurate and up-to-date as possible. We have therefore commissioned property consultancy company Savills to carry out a 40% stock condition survey of our properties with the remaining 60% of surveys being carried out over the next couple of years. Using this information along with other business intelligence we will ensure that we are investing in the right properties in the right areas at the right time.

We also need to be able to demonstrate that we understand how much money is spent on maintaining and managing our properties and how much income they generate through our rents. This is known as the Net Present Value of the property (NPV). Where our properties are not achieving the maximum expected NPV we need to make decisions about what to do with those properties so they provide Value for Money. Properties with a negative NPV are subject to an Options Appraisal which is a process used to decide the future of any properties which don't represent effective VfM.

The Option Appraisal process involves staff carrying out site inspections and gathering all the information relating to that specific property and its surrounding area. A panel of Senior Managers considers data about the property and other information such as demand for that particular property type, demand for the area and other information including economic, social and environmental factors. Using the "DRIPS" methodology we then make a decision to either Dispose, Repair, Invest, Postpone or Sell. A small number of properties have been already been identified and are going through this process.

In 2018/19 we will continue to invest in our improvement programmes such as renewing kitchens and bathrooms. We will also develop Neighbourhood Plans for each of our 22 neighbourhoods using our asset data, business intelligence and data relating to Health, Education, Social and the economic environment. We will share these Neighbourhood Plans with relevant stakeholders and regulators so they can be clear of our intentions in relation to the future of our assets.

Building communities

In addition to our investment in new and existing homes we also invest heavily in the communities in which we operate, promoting community regeneration, financial inclusion and improving the physical environment. "Magenta Communities" is the name we give to these activities and in 2017/18 we calculate we created additional social value of £17m in the areas in which we work. Further details of the positive benefits we have created can be found in our social value statement at <https://www.magentaliving.org.uk/annual-report-201718>

Strategic Report

Value for Money (continued)

Add value through procurement

In 2017-18 we procured 15 major contracts with a total value of £5.3m. In doing so we achieved savings of £928,000 compared to the previous price or market rate for those goods and services. We also continued to benefit from £556,000 savings on previously procured contracts still in place. We also use our procurement practices to add value for the communities we serve, securing employment, training and work experience placements for our customers as part of new contracts with our Fleet Hire and empty property management partners.

Increase capacity

We continue to deliver the cost savings required in response to the 1% rent reduction and have achieved in excess of £5m more than our original target to date. We have also maintained the level of revenue we generate from non-social housing activity at £2.1 million which exceeded the target set of £1.6 million. Amongst other things this has enabled us to successfully acquire approximately 420 homes from Your Housing Group, increasing our stock holding on Wirral and ultimately helping reduce management costs in the medium – long term. Looking ahead it will enable us to invest in the building of more new homes and improved services. We also seek to increase capacity within our workforce and in 2017-18 we saved £303,000 on staffing costs by reducing staff turnover and also by reducing staff sickness absence from 7.9 days per employee to 6.7 days.

Our performance against the Regulator of Social Housing's VfM metrics.

In 2018 the Regulator of Social Housing (RSH) requires all housing association to publish their performance against a defined suite of value for money metrics (Further detail on the metrics can be found on the RSH's website).

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/695830/Technical_Note_VfM_Metrics_April_2018.pdf

Metric	Performance
New Supply	
Social Housing	1.38%
Non-social Housing	1.41%
Gearing	39.70%
EBITDA MRI Interest Cover	467.10%
Operating Margin	
Operating margin SHL	15.63%
Operating margin overall	17.20%
Return on capital employed	8.10%
Headline social housing cost per unit	3,436

Strategic Report

Value for Money (continued)

Our performance against our VfM targets.

Measure	Actual 2016/17	Target 2017/18	Actual 2017/18	If we didn't achieve our target, what are we going to do
Costs, Efficiency and Revenue				
Headline cost per unit	£2,970	£3,340	£3,436	We will continue to manage our costs to achieve the savings we need to make whilst also increasing capacity to support the building of new homes
Net Operating Margin	29.6%	20.0%	17.2%	As above
Revenue from non-social housing	£2.3m	£1.4m	£2.1m	Target met
Active Asset Management				
New housing supply - rental (units)	48	48	177	Target met
New housing supply - for sale (units)	7	80		We have increased the pace of our development for 7 sale programme for Magenta Living and Hilbre Homes
Compliance with the decent homes standard	100%	100%	100%	Target met
Responsive Repairs and Voids				
Numbers of stock vacant (working)	202	175	206	We have increased the resources to manage empty properties and have set a target of 70 working voids by 31/3/19
Numbers of stock vacant (strategic)	191	N/A	143	
Void rent loss	2.8%	2.8%	2.9%	
Rent Collection and Arrears				
Rent collection and arrears	100.3%	99.2%	100.4%	Target met
Benefits secured by in-house advisors	£2.3m	£2.3m	£2.2m	We will continue to support our customers in securing all the benefits to which they are entitled
Major Works and Cyclical Maintenance				
Energy efficiency of 'C' or better (% of props)	77.3%	73.3%	73.3%	Target met
SAP rating	71.9	72.0	72.2	Target met
Lettings				
Average days to relet a minor void	22.3	20.0	16.3	Target met
Building Communities				
Jobs and apprenticeships secured through procurement	53	60	61	Target met
Positive outcomes through Working on Wirral (WOW)	174	180	251	Target met
Our People				
Savings on staff turnover	£256k	N/A	£303k	
Staff sickness (days)	7.9	7.9	6.7	Target Met
Staff engagement	78.8%	80%	88.3%	Target Met

We developed 184 new homes for rent and sale.

Our operating margin has changed from 29.6% to 17.2% due to the changes outlined in our Headline Cost per Unit calculation. Our Headline Cost per Unit has risen to £3,436 compared to the 2016-17 figure of £2,970. This is mainly due to an increase in pension service costs of £114 per unit; increased major works expenditure of £231 per unit and increased routine maintenance works of £78 per unit. (The median figure for the sector as a whole for 2017-18 will be published in the RSH's global accounts in winter 2018/19. In next year's annual report we will be able to compare our performance against that of other housing associations).

Strategic Report

Value for Money (continued)

Our costs and how they compare.

The table below sets out our Headline cost per unit for 2016/17 compared to our peer group of northern Housing associations with more than 7,500 homes.

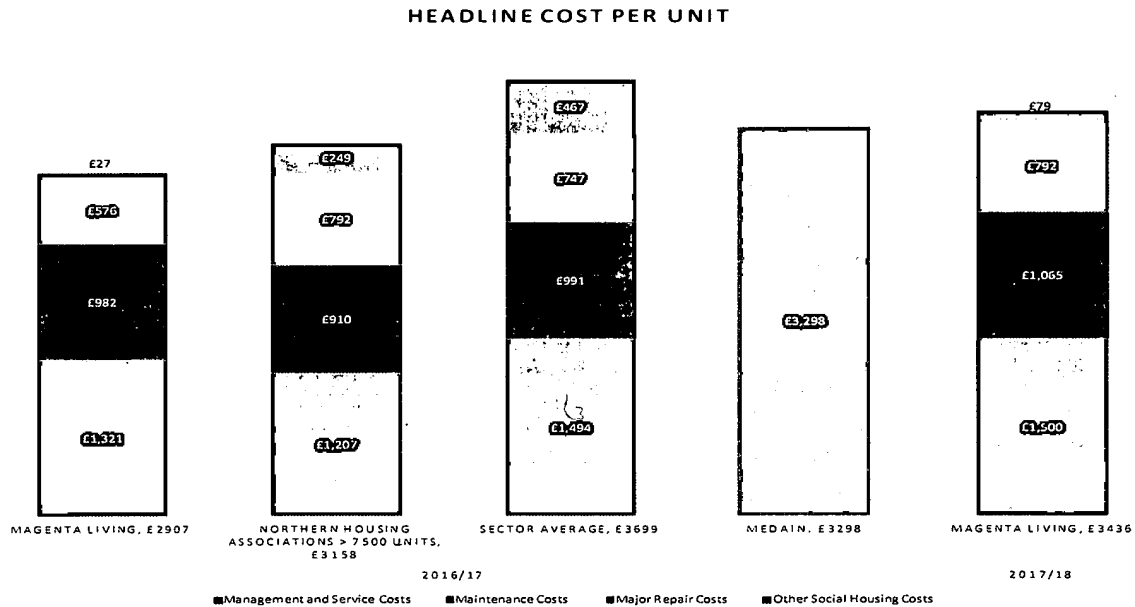
Northern Housing Associations with more than 7500 units		
Organisation	Region with 50%+ of social stock owned	Headline Social Housing Costs per Unit
Livin Housing Limited	North East	2,101
Ongo Homes Limited	Yorkshire & the Humber	2,245
Adactus Housing Group Limited	North West	2,444
One Manchester Limited	North West	2,582
Coast & Country Housing Limited	North East	2,638
Liverpool Mutual Homes Limited	North West	2,641
Torus62 Limited	North West	2,664
Knowsley Housing Trust	North West	2,754
Together Housing Group Limited	Yorkshire & the Humber	2,758
Gentoo Group Limited	North East	2,874
Wirral Partnership Homes Limited	North West	2,907
Incommunities Group Limited	Yorkshire & the Humber	2,911
Wakefield And District Housing Limited	Yorkshire & the Humber	3,030
New Charter Housing Trust Limited	North West	3,065
Plus Dane Housing Group Limited	North West	3,074
County Durham Housing Group Limited	North East	3,121
Thirteen Housing Group Limited	North East	3,136
Wythenshawe Community Housing Group Limited	North West	3,206
Isos Housing Limited	North East	3,219
Shoreline Housing Partnership Ltd	Yorkshire & the Humber	3,238
Onward Homes Limited	North West	3,249
ForViva Group Limited	North West	3,336
One Vision Housing Limited	North West	3,450
First Choice Homes Oldham Limited	North West	3,525
Trafford Housing Trust Limited	North West	3,618
Your Housing Group Limited	North West	3,688
Bernicia Group Limited	North East	3,720
Rochdale Boroughwide Housing Limited	North West	3,904
Bolton at Home	North West	3,984
Progress Housing Group Limited	North West	4,595
Salix Homes Limited	North West	5,656
	Median Cost Per Unit	3,121

Strategic Report

Value for Money (continued)

Our costs and how they compare.

The chart below sets out our cost breakdown for 2017-18 compared to our projected outturn cost and the sector median for 2016-17.



Looking Ahead – Our VfM Strategy

Our VfM Roadmap aligned to our Corporate Plan for 2018-23 has been set out earlier. The table below details our VfM metrics and targets for 2018-19. These have been set in line with our Corporate Plan themes. Asterisked measures are HCA VFM metrics.

Vibrant, values-driven culture	
Measure	2018-19 target
Investors in People	Retain IiP Gold
A year-on-year improvement in staff engagement, as measured by our in- house staff survey.	83%
Ongoing staff sickness levels at below peer group average	Maintain at 6.7 days (likely to be top quartile)
Customer satisfaction with the services provided by Magenta Living	Maintain at over 90%

Strategic Report

Value for Money (continued)

Investing	
Measure	2018-19 target
Units developed (as a percentage of units owned) (A-social)	0.1% (estimate based upon 13 social completions. We will start 427 social units)
Units developed (as a percentage of units owned) (B-non-social)*	N/A (we will start 68 non-social units).
Development programme delivery Magenta Living and (Hilbre)	Target is 27 completions
Reinvestment %*	To be confirmed following approval of 2018 - 19 budget
Customer satisfaction with the home	90%

Businesslike	
Measure	2018-19 target
Headline social housing cost per unit*	£3,778 (£2m increase in major works costs. £1m increase in management and support)
Operating Margin (overall)*	17.71%
Operating Margin (social housing lettings)*	23.26%
EBITDA MRI %(as a percentage of interest)*	415%
Gearing %*	44.2%
Return on Capital Employed (Capital ROCE)*	5.4%
Rent collection	99%

Strategic Report

Value for Money (continued)

Excellence	
Measure	2018-19 target
Customer satisfaction with the neighbourhood	90%
Increases in digital service contacts	To be completed pending development of digital strategy
Occupancy	97%
Tenancy sustainability – the percentage of new lettings maintained longer than 12 months	93%
Customer satisfaction that their rent represents Value for Money	94%

The Board's overall Value for Money Self-assessment.

The Regulator of Social Housing's Value for Money Standard 2018 sets out its required outcomes and specific expectations of registered providers and their approach to Value for Money. Magenta Living has assessed itself against the standard. Our annual report details the outcomes of this self-assessment and can be found at <https://www.magentaliving.org.uk/annual-report-201718>. Taking into account the evidence provided in this document the Board of Magenta Living is satisfied that we continue to comply with the HCA's VfM standard.

Performance Management

Performance Management is monitored through the use of a Strategic performance dashboard, and a set of "Golden Rules"; key performance targets which are important in ensuring the continued financial health of the company. The Strategic Performance Dashboard shows four areas of strategic performance in the style of a "balanced scorecard", set out under Magenta Living's four Corporate Objectives. These four performance areas are now also supplemented by the Golden Rules.

Providing For our current and future customers	Adding Value Effectively managing our resources
Diversifying To create a resilient business	Leading by example

Strategic Report

Performance Management (continued)

Serving; our current and future customers				
Performance Indicator	Actual 2016-17	Target 2017-18	Actual 2017-18	
Working Voids (Units)	202	175	206	
Strategic Voids (Units)	191	0	143	
Diversifying; to create a resilient business				
Performance Indicator	Actual 2016-17	Target 2017-18	Actual 2017-18	
New Homes Delivered on Target (Units)	48	124	184	
Adding Value; for the benefit of our stakeholders				
Performance Indicator	Actual 2016-17	Target 2017-18	Actual 2017-18	
% Stock Achieving Decent Homes Standard	100.0	100.0	100.0	
% Investment Programme Spend v Budget	104.7	100.0	72.2	
Leading by example				
Performance Indicator	Actual 2016-17	Target 2017-18	Actual 2017-18	
Days Sickness per Employee	7.9	7.9	6.7	
% Board Director Meeting Attendance	91.3	94.0	96.3	
% Board Director Training Attendance	94.7	95.0	96.8	
Golden Rules				
Performance Indicator	Actual 2016-17	Target 2017-18	Actual 2017-18	
Operating Margin (%)	31.0	20	17.2	
Liquidity: Cash (months)	1.3	1	1.6	
Loan Drawdown (£m)	72.8	74	89.3	
Value of uncharged assets (£m)	24.0	24	27.0	
Budgeted v Actual Expenditure	98.8	100.0	92.6	
Void Rent Loss (%)	2.8	3.0	2.9	
Rent Due Collected (%)	100.3	98.0	100.4	
On-lending to Subsidiaries (£m)	-	11.5	4.3	
Consumer Price Index (CPI %)	2.3	2	2.5	

Strategic Report

Performance Management (continued)

The number of working voids at year end is higher than the anticipated position, largely due to the scale of works needed on the properties coming empty. External contractors have been appointed to help us clear the backlog of works and reduce the number of voids in the system to a manageable level.

In respect of the Golden Rules, we have drawn-down more of our loan facility than was planned in order to finance the YHG stock purchase. This was approved by our funder Royal Bank of Scotland, upon presentation of a revised Business Plan. CPI is higher than reflected in the current business plan but will be monitored closely should we need to respond to any increase in interest rates adversely impacting our variable rate loans.

Risk Management

The Board of Magenta Living approved the company's Risk Management Strategy in July 2015 and updated the Risk Management and Business Assurance Framework in May 2018. The strategy sets out our risk assurance approach and the roles of Board, Audit and Risk Committee and senior management in how we manage, monitor, report and gain assurance on the effectiveness of our risk strategy.

Since that time our risk management approach has continued to evolve using the National Housing Federation's publication *Understanding Assurance* to better understand and map the various types and levels of assurance that are available. This led to the adoption of the "Three Lines of Defence" approach to mapping the risk control measures on our Strategic Risk Register.

One of the components of the First Line of Defence is our Risk Management Framework (formerly our Risk Management Strategy). This framework is designed to ensure that the governance and regulatory expectations can be met and is broken down into two specific areas;

- Understanding our risk landscape sets out how we will identify risks relevant to our strategic and operational activities, articulate our risk appetite, and the nature, categorisation and rating of the risks we face.
- Our risk assurance approach sets out how we will manage, monitor, report and gain assurance on the effectiveness of our risk management activity.

Risk Appetite

The Board are currently reviewing their risk appetite following recent Board development events in particular the "Iron Grip Game" and the revised version will form part of the new Corporate Plan.

Our statement of risk appetite.

In general terms, the Board is not risk averse but is balanced in its appetite towards taking more risks in the delivery of new activities which it is hoped will act to reduce the impact of other risks on the core business of Magenta Living. The Board undertook a full review of the Strategic Risk Register during the year and agreed that the former risks of Council relations; Building Services Workstreams; Group Structure and National Housing Policy be closed and removed from the register. Board also agreed to the addition to the register of risks for Workforce Management; Treasury Management and Data Protection.

Strategic Report

Category of Risk	Nature of Risk	Effect of Risk
Government Policy and Collectible Income	Changes to working age benefits will impact upon many of our tenants and reduce their ability to pay their rent	The great majority of tenants reliant on benefits will experience significant reductions in income which will impact upon their ability to manage financially.
Fire Safety	Inadequate fire safety and testing procedures increase likelihood and potential impact of a major fire	Serious fire leading to major damage and potential loss of life. Subsequent costs of refurbishment, compensation civil or criminal prosecutions, regulatory downgrade to non compliant governance rating.
Value for Money (VfM)	Failure to achieve VfM negatively impacts upon our strategic aims and objectives	Inefficiency and high cost negatively impact our financial health and hinder our ability to invest in stock and services.
Development Programme	Government priorities of what will be supported by grant funding have changed	Potential for social housing schemes to be financially unviable
Business Planning	Inadequate Business Planning including failures to plan for and respond to external risks such as inflation and deflation outside of business plan parameters.	Jeopardises financial viability and the ability of the business to deliver its aims
Low Demand for properties	Political, economic, social and geographical factors negatively impact on demand and affordability of properties.	Low demand for our homes, increased voids and void rent loss, reduced rental income increased collection costs and potential for neighbourhood blight as void numbers increase
Treasury Management	Financial resources are inadequate to enable the company to achieve its corporate goals. Financial resources are not managed in an appropriate way leading to resource surpluses or shortages, delays in borrowing, or failure to ensure the best return on resources.	Failure to secure adequate resources may mean the company has to reduce its development plans and cut back on services. Failure to refinance at competitive rates could mean that corporate goals can only be partially achieved due to the higher financing costs.
Ineffective Customer Engagement	Inability to realise corporate aims of excellent services and engaged stakeholders under our mission of "building communities where all can thrive".	Failure to comply with the current HCA Regulatory Framework, principally the Tenant Involvement and Empowerment Standard, whilst unlikely to lead to regulatory intervention could lead to significant reputational damage.

Strategic Report

Category of Risk	Nature of Risk	Effect of Risk
Ineffective Governance	Leads to failure to achieve Corporate aims. Non compliance with the adopted NHF Code of Governance could lead to a regulatory downgrade	Failure to comply with the HCA's Regulatory Framework (Governance, Viability, VfM) may lead to possible regulatory intervention and reputational damage. Poor decision making affect the company adversely. Failure to develop, implement and manage long-term plans.
Safety Standards & Asset Compliance Management	Failure to comply with Health & Safety regulations would lead to serious breach of relevant legislation	Health and Safety of tenants, visitors, contractors and staff put at risk. Criminal prosecutions for Company Directors. Serious detriment under HCA Consumer Standard
New Initiatives	Failure to successfully launch growth and diversification initiatives would negatively impact upon strategic aims and objectives	Inability to produce anticipated surpluses. Perception of ventures may harm reputational risk
Data Protection	Magenta Living (and by extension, potentially Hilbre Homes and Bamboo Lettings) has inadequate systems and procedures in place to adequately protect the personal information it holds on staff and customers and does not therefore comply with the requirements of the General Data Protection Regulations (GDPR)	Breach of Regulations could lead up to fines of 4% of global turnover as well as the risk to the reputation of Magenta Living. There is also the potential for governance downgrades from the Regulator should they judge any significant financial loss or emotional or psychological harm caused to customers as a case of serious detriment.
Workforce Management	Poor workforce management, succession planning and ineffective performance management practices leads to high staff turnover, demotivation and poor performance.	Failure to deliver our corporate objectives, poor performance against key performance measures, inefficiency, high cost and a reduction in customer and staff satisfaction and resultant reputational damage.

Following the tragic events at Grenfell Tower all eight of our tower blocks were reassessed. All eight blocks were upgraded as part of a major refurbishment programme. None of the blocks have been clad with the aluminium "rainscreen" type panels used at Grenfell. Seven of the blocks have some level and type of traditional external render to provide better thermal insulation and the Brackendale block merely had the existing traditional render painted and insulation fitted internally to flats. Our initial assessment indicated that no immediate remedial works are necessary at that stage but the situation is being kept under review awaiting further guidance, advice and instruction from Government. We have actively monitored, measured and ensured that fire safety measures are consistently treated as a priority across all Magenta Living tower blocks and other properties.

Strategic Report

Future Investment

The Board is committed to spending £27.3 million in 2018/19 to improve and maintain its existing housing stock (£14.8 million via the Improvement Programme, £8.1 million on responsive and day to day repairs and £4.4 million on planned maintenance). The Board have allocated £450k for disabled adaptations on our properties.

The Board is committed to spending £18.5 million in 2018/19 on the continuation of our new build programme that will see the commencement of approximately 250 new units across a range of tenures.

Capital Structure and Treasury Policy

Treasury Management is the responsibility of the Deputy Chief Executive and the Group's Treasury Management Strategy is reviewed annually and is approved by the Board. The strategy seeks to address funding and liquidity risks and loan covenant compliance.

To date the Group has only used derivative instruments that are embedded in (and not separable from) its loan agreement. In other words, it has bought protection against interest rate movements from its lender, The Royal Bank of Scotland (RBS).

In keeping with the aims of its Treasury Management Policy, the Group will seek an appropriate level of assurance with regards to its future funding costs. To achieve this aim, approximately 75% of the Group's loans will be either fixed or will be hedged by a derivative instrument, removing the exposure to adverse interest rate movements. The remaining 25% of loans will be held on a floating or variable basis, to enable the Group's total indebtedness to be tailored to changes in its overall business plan requirements. These parameters of 75% fixed/hedged and 25% variable may be varied by +/-5%, in order to provide flexibility. They may also be varied by the Board upon presentation of a business case for doing so.

The Group has currently drawn £89.3 million (2017: £72.8 million) of its total loan facility of £125 million, of which £57.7 million is on fixed rate terms and £31.6 million is on variable rate terms. The Group is due to repay the loans by 31st March 2035. Following the recent restatement of the loan agreement with the funders which allows for new initiatives to be funded by on-lending the overall facility will reduce to £105 million in 2023 and then to £90 million in 2026.

Our current Business Plan is awaiting funder's approval and this has a peak debt of £103.9 million which is expected to be reached in 2021/22. This may change as the business plan is reviewed and may be revised in the context of our future growth aspirations.

The Group borrows only in sterling and so does not have any currency risk. The Group has no significant exposure to securities price risk as it holds no listed equity investments.

Cash Flows

Cash inflows and outflows for the period under review are shown in the consolidated statement of cash flows on page 45 of the financial statements. The consolidated statement of cash flows shows that during the year the Group generated net cash inflow, from operating activities of £18.4 million (2017: £18.9 million) and made net interest payments of £3.5 million (2017: £3.8 million).

Strategic Report

Capital Structure and Treasury Policy (continued)

Current Liquidity

Cash and bank balances at the 31 March 2018 were £8.0 million (2017: £7.2 million), including £0.9 million (2017: £1.7 million) relating to the Community Fund. The Group did draw down £16.5 million from the Group's loan facility in respect of fixed and variable rate loans during the year. As such the Group had a net current asset position at 31 March 2018 totalling £7.5 million (2017: £3.0 million).

The Group's policy is to hold significant cash balances of between one and three months working capital and to ensure that loan facilities are in place to fund future requirements. The main factor influencing the amount and timing of borrowing is the rate of progress and delivery of the Investment Programme works, the new build programme and the dates of the agreed forward interest rate fixes.

Loan Compliance

Loan covenants are primarily based on asset cover and net operating cash flow. The purpose of the net operating cash flow is to identify a single measure of the overall performance of the business plan, effectively showing the company's ability to generate funds to cover its debt payments due. The asset cover is a measure of the minimum asset cover sufficient to protect the lender's security.

The Group undertakes regular monitoring of covenant compliance on a quarterly basis. The Business Plan assumptions and forecast figures are also regularly stress tested to ensure covenant compliance is maintained in the future. All the lender's loan covenants were met throughout the year and at the year end.

Statement of compliance

In preparing this Strategic report, the board has followed the principles set out in the Statement of Recommended Practice: Accounting by registered social housing providers (SORP).

The Strategic Report was approved by the board on 17th September 2018 and signed on its behalf by:



David Clark
Chair

Report of the Directors

Board members and executive directors

The present Board members and the Executive Directors of the Group and those who served during the year and up to the date of approval of these financial statements are set out on page 3. The Board members are drawn from a wide background bringing together professional, commercial and local experience. The Board members are appointed on a skills basis with the mix of skills being regularly assessed and reviewed in line with the board skills matrix. The term of office for directors is four years and the maximum term of office is eight years.

The Executive Directors consist of the Chief Executive and the other members of the Group's Executive Leadership Team. The Executive Directors that served during the period are set out on page 3.

The Executive Directors act as executives within the authority delegated by the Board.

The Group has insurance policies in place that indemnify its Board members and Executive Directors against liability when acting for the Group.

Service contracts

The Chief Executive and the other Executive Directors are appointed on permanent contracts of employment on individual contracts, their notice periods being six months.

Pensions

The Executive Directors are members of either the Social Housing Pension Scheme or the Merseyside Pension Fund, both defined benefit final salary pension schemes. They participate in the schemes on the same terms as all other eligible staff and the Group contributes to the schemes on behalf of its employees.

Other benefits

In addition to their basic salary, the Executive Directors are entitled to the provision of a car allowance. Details of the remuneration bandings are included in note 10 to the audited financial statements.

NHF Code of Governance

Magenta Living adopted the NHF Code of Governance in 2010 and subsequently the revised version in 2015. The Company is now fully compliant after approving revised Articles of Association at the AGM in September 2016.

Governance and Viability Standard

The Board confirms that Magenta Living complies in all material respects with the Governance and Viability Standard as set out by the Regulator for Social Housing. The result of the recent In Depth Assessment has resulted in a compliant G2/V1 assessment.

Report of the Directors

Tenant involvement

We actively encourage tenants' involvement in decision-making by promoting mechanisms of tenant involvement and there are clear reporting arrangements between tenant groups and the Board.

Donations

During the year ended 31st March 2018 the Group has made no political contributions and any charitable donations were made during the course of its ordinary activities.

Post balance sheet events

We consider that there have been no events since the year end that have had a significant effect on the Group's financial position.

Payment of creditors

In line with government guidance, our policy is to pay purchase invoices within 30 days of receipt, or earlier if agreed with the supplier. We will comply with all of the requirements of the new Supplier Payment Practices and publish our supplier payment performance accordingly.

Employees

The strength of the Group lies in the quality of all its employees. In particular, our ability to meet our objectives and commitments to tenants in an efficient and effective manner depends on their contribution.

The Group shares information on its objectives, progress and activities through regular office team briefs and departmental meetings involving Board members, the Executive Leadership Team and staff.

We are committed to equal opportunities and in particular we support the employment of disabled people, both in recruitment and in the retention of employees who become disabled whilst in the employment of the Group.

Health and safety

The Board is aware of its responsibilities on all matters relating to health and safety. The Group has prepared detailed health and safety policies and provides staff training and education on health and safety matters. It is the Group's policy to maintain and where possible exceed the health and safety standards stipulated by legislation.

Internal controls assurance

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

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and to provide reasonable, and not absolute, assurance against material misstatement or loss.

Report of the Directors

Internal controls assurance (continued)

The process for identifying, evaluating and managing the significant risks faced by the Group is ongoing and has been in place throughout the period commencing 1 April 2017 to the date of approval of the annual report and financial statements.

Key elements of the control framework include:

- Board approved terms of reference and delegated authorities for the Audit and Risk Committee;
- clearly defined management responsibilities for the identification, evaluation and control of significant risks;
- robust strategic and business planning processes, with detailed financial budgets and forecasts;
- formal recruitment, retention, training and development policies for all staff;
- established authorisation and appraisal procedures for significant new initiatives and commitments;
- a risk averse approach to treasury management which is subject to external review on an annual basis;
- regular reporting to the appropriate committee on key business objectives, targets and outcomes;
- Board approved whistle blowing and anti-theft and corruption policies;
- Board approved fraud policies, covering prevention, detection and reporting, together with recoverability of assets, and
- Regular monitoring of loan covenants.

The Board cannot delegate ultimate responsibility for the system of internal control, but it can, and has, delegated authority to the Audit and Risk Committee to regularly review the effectiveness of the system of internal control. The Board receives quarterly reports from the Audit and Risk committee together with minutes of audit committee meetings.

The Audit and Risk Committee has received and approved the Chief Executive's annual review of the effectiveness of the system of internal control for the Company and the annual report of the internal auditor, and has reported its findings to the Board.

Statement of Responsibilities of the Board for the report and financial statements

The Board is responsible for preparing the Strategic Report, the report of the directors and financial statements in accordance with applicable law and regulations.

Company law requires the Board to prepare financial statements for each financial year. Under that law the Board have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"). Under company law the Board must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit and loss of the Group and Company for that period.

Report of the Directors

Statement of Responsibilities of the Board for the report and financial statements (continued)

In preparing these financial statements, the Board is 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 Housing Providers (2014), have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006, 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board confirms that:

- so far as each Board member is aware there is no relevant audit information of which the Company's auditors are unaware; and
- the Board members have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board members are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Group's business activities, its current financial position, and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long term debt facilities, including £35.7 million of undrawn facilities at 31 March 2018 (2017 - £52.2m), which provide adequate resources to finance committed reinvestment and development programmes along with the Group's day to day operations. The Group also has a long term business plan which shows it is able to service these debt facilities while continuing to comply with lenders covenants.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements.

Report of the Directors

Public Benefit

The Board members (who are also the charitable trustees) confirm they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and in planning future activities and setting policies for the year.

Annual general meeting

The annual general meeting will be held on 25th September 2018 at Partnership Building, Hamilton Street, Birkenhead, Wirral, CH41 5AA

External auditors

The external audit contract term is for a period of 3 years. A resolution to appoint external auditors accordance with section 487(2) of the Companies Act 2006 will be proposed at the forthcoming annual general meeting.

Information set out in the Strategic Report

In accordance with s414C(11) of the Companies Act, the Company has chosen to include information in respect of its financial risk management objectives and policies and exposure to risk in the Strategic Report. This information would otherwise be required by Schedule 7 of the 'Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008' to be contained in the Report of the Directors.

Approval

The report of the Board was approved by the Board on 17th September 2018 and signed on its behalf by:



David Clark
Chair

Independent Auditor's Report to the Members of Wirral Partnership Homes Limited

Opinion

We have audited the financial statements of Wirral Partnership Homes Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2018 which comprise the Consolidated Statement of Comprehensive Income, Company Statement of Comprehensive Income, Consolidated and Company Statement of Changes in Reserves, Consolidated and Company Statement of Financial Position, Consolidated Statement of Cash Flows and the 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 of the parent company's affairs as at 31 March 2018 and of the group's and of the parent company's surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We have been appointed as auditor under the Companies Act 2006 and report in accordance with regulations made under that Act. 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 the parent company 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.

Who we are reporting to

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Independent Auditor's Report to the Members of Wirral Partnership Homes Limited

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's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company'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 is responsible for the other information. The other information comprises the information included in the Report and Financial Statements set out on pages 4 to 37 other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken during the course of the audit:

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

Independent Auditor's Report to the Members of Wirral Partnership Homes Limited

Matters on which we are required to report by exception

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

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

Responsibilities of the board for the financial statements

As explained more fully in the Statement of Responsibilities of the Board set out on pages 35 and 36 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 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 is responsible for assessing the group's and the parent company'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 parent company 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.

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.

Grant Thornton UK LLP

Joanne Love
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP,
Statutory Auditor, Chartered Accountants
Manchester

Date: 20 September 2018

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2018

	Note	2018 £'000	Restated (Note 32) 2017 £'000
Turnover	3	64,123	63,651
Operating expenditure	3	(52,040)	(44,932)
Cost of Sales	3	(1,166)	(439)
Gain on disposal of fixed assets	6	2,172	1,651
Gain on revaluation of investment properties	15	5,002	546
Operating surplus	5	18,091	20,477
Share of loss in joint venture	17	(2)	(65)
Interest receivable and other finance income	7	6	25
Interest and financing costs	8	(4,036)	(4,375)
Surplus on ordinary activities before taxation		14,059	16,062
Tax on surplus on ordinary activities	11	-	(1)
Surplus for the financial period		14,059	16,061
Actuarial gain/(loss) in respect of MPF pension scheme	26	4,969	(699)
Actuarial gain/(loss) in respect of SHPS pension scheme	26	3	(9)
Total comprehensive income for the year		19,031	15,353
Total comprehensive income for the year is attributable to:			
- Owners of the parent company		19,152	15,353
- Non-controlling interests		(121)	-
		19,031	15,353

The consolidated results relate wholly to continuing activities

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 17th September 2018 and signed on its behalf by:



David Clark
Chair



Patrick McCarthy
Secretary

Company Statement of Comprehensive Income

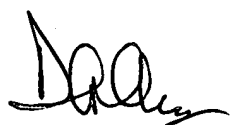
For the year ended 31 March 2018

	Note	2018 £'000	Restated (Note 32) 2017 £'000
Turnover	3	65,370	63,641
Operating expenditure	3	(52,010)	(44,823)
Cost of Sales	3	(2,119)	(439)
Gain on disposal of fixed assets	6	2,172	1,651
Gain on revaluation of investment properties	15	5,002	546
Operating surplus	3, 5	18,415	20,576
Interest receivable and other finance income	7	431	167
Interest and financing costs	8	(4,036)	(4,375)
Surplus on ordinary activities before taxation		14,810	16,368
Tax on surplus on ordinary activities	11	-	(1)
Surplus for the financial period		14,810	16,367
Actuarial gain/(loss) in respect of MPF pension schemes	26	4,969	(699)
Actuarial gain/(loss) in respect of SHPS pension schemes	26	3	(9)
Total comprehensive income for the year		19,782	15,659

The company's results relate wholly to continuing activities

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 17th September 2018 and signed on its behalf by:



David Clark
Chair



Patrick McCarthy
Secretary

Consolidated and Company Statements of Changes in Reserves

For the year ended 31 March 2018

	Income & Expenditure Reserve	Consolidated Non- controlling interest	Total	Company Income & Expenditure Reserve
	£'000	£'000	£'000	£'000
Opening reserves as at 1 April 2016	70,629	-	70,629	71,993
Total Comprehensive Income for the year	15,353	-	15,353	15,659
Balance as at 31 March 2017	85,982	-	85,982	87,652
Total Comprehensive Income for the year	19,031	-	19,031	19,782
Amounts attributable to non-controlling interests	121	(121)	-	-
Capital invested by non-controlling interests	-	80	80	-
Closing total funds as at 31 March 2018	105,134	(41)	105,093	107,434

The accompanying notes form part of these financial statements.

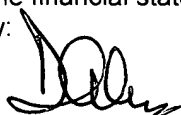
Company Number: 04912562

Consolidated and Company Statement of Financial Position

	Note	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fixed assets					
Tangible fixed assets – housing properties	12	204,761	174,723	206,861	176,677
Other tangible fixed assets	13	4,623	4,892	4,623	4,892
Intangible fixed assets	14	-	58	-	58
Investment properties	15	7,104	1,658	7,104	1,658
Investment - subsidiary	16	-	-	130	10
Investment in joint venture	17	23	25	90	90
		<u>216,511</u>	<u>181,356</u>	<u>218,808</u>	<u>183,385</u>
Current assets					
Properties held for sale	18	7,149	3,402	3,218	3,402
Stock		44	61	44	61
Trade and other debtors due within one year	19	4,261	4,941	4,124	4,902
Trade and other debtors due in more than one year	19	-	-	4,300	-
Cash and cash equivalents	20	8,041	7,202	7,167	6,972
		<u>19,495</u>	<u>15,606</u>	<u>18,853</u>	<u>15,337</u>
Creditors: Amounts falling due within one year	21	(11,956)	(12,605)	(11,270)	(12,695)
Net current assets		<u>7,539</u>	<u>3,001</u>	<u>7,583</u>	<u>2,642</u>
Total assets less current liabilities		<u>224,050</u>	<u>184,357</u>	<u>226,391</u>	<u>186,027</u>
Creditors: Amounts falling due after more than one year	22	(102,857)	(80,334)	(102,857)	(80,334)
Provisions for liabilities					
- Pension provision MPF	26	(16,100)	(18,041)	(16,100)	(18,041)
Total net assets		<u><u>105,093</u></u>	<u><u>85,982</u></u>	<u><u>107,434</u></u>	<u><u>87,652</u></u>
Reserves					
Income and expenditure reserve		<u>105,093</u>	<u>85,982</u>	<u>107,434</u>	<u>87,652</u>
Reserves attributable to					
Owners of the Parent Company		<u>105,134</u>	<u>85,982</u>	<u>107,434</u>	<u>87,652</u>
Non-controlling interests		<u>(41)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total reserves		<u><u>105,093</u></u>	<u><u>85,982</u></u>	<u><u>107,434</u></u>	<u><u>87,652</u></u>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board on 17th September 2018 and signed on its behalf by:



David Clark
Chair



Patrick McCarthy
Secretary

Consolidated Statement of Cash Flows

For the year ended 31 March 2018

	Note	2018 £ '000	2017 £ '000
Net cash inflow from operating activities	29	18,395	18,948
Cash flow from investing activities			
Purchase and construction of housing properties		(39,245)	(10,755)
Purchase of fixed assets - other		(158)	(26)
Proceeds from sale of housing properties		2,748	2,244
Social Housing Grant		6,800	1,816
Investment in joint venture		-	(90)
Interest received		6	25
Purchase of Investment Properties		(695)	(1,112)
		<u>(30,544)</u>	<u>(7,898)</u>
Cash flow from financing activities			
Loan drawdown of borrowing		16,536	-
Loan repayment of borrowing		-	(15,921)
Interest paid		(3,548)	(3,807)
		<u>12,988</u>	<u>(19,728)</u>
Net change in cash and cash equivalents		<u>839</u>	<u>(8,678)</u>
Cash and cash equivalents at beginning of the year		<u>7,202</u>	<u>15,880</u>
Cash and cash equivalents at end of the year	20	<u><u>8,041</u></u>	<u><u>7,202</u></u>

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. Legal status

The Company is a private company limited by guarantee with no share capital, registered under the Companies Act 2006 and is a registered housing provider. The registered office is Partnership Building, Hamilton Street Birkenhead CH41 5AA. The Group consists of the Company and one dormant subsidiary, Wirral Partnership Homes (Building Services) Limited and two trading subsidiaries, Wirral Partnership Homes (Developments) Limited and Hilbre Projects LLP (build for direct sale). In addition the Group has an involvement in a joint venture – Bamboo Estates a registered LLP with two partners – Wirral Partnership Homes and Torus62 Limited.

2. Accounting policies

Basis of accounting

The financial statements are prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP) including Financial Reporting Standard 102 (FRS 102) and the Housing SORP 2014: Statement of Recommended Practice for Registered Social Housing Providers and comply with the Accounting Direction for Registered Providers of Social Housing 2015.

Wirral Partnership Homes Limited is a public benefit entity in accordance with FRS102.

The financial statements are presented in sterling (£).

Going concern

The Group's business activities, its current financial position and factors likely to affect its future development are set out within the Strategic Report. The Group has in place long term debt facilities which provide adequate resources to finance committed reinvestment and development programmes, along with the Group's day to day operations. The Group also has a long term business plan which shows that it is able to service these debt facilities whilst continuing to comply with lenders covenants.

On this basis, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than twelve months after the date on which the report and financial statements are signed. For this reason, it continues to adopt the going concern basis in the financial statements

Significant judgements and estimates

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

Significant management judgements

The following are the significant management judgements made in applying the accounting policies of the Group that have the most significant effect on the financial statements:

- **Impairment of Group's tangible assets**

Management seek to identify indicators of impairment by considering the economic viability and expected future financial performance of the asset. Where it is a component of an asset or property, the viability of that unit or property is also considered. The basis for the recoverable amounts of the assets has been considered based on EUV-SH or depreciated replacement cost. Based on this assessment no impairment charge has been made in 2018 (2017: £Nil).

- **Defined benefit pension obligation**

Management's estimate of the defined benefit obligation is based on a number of critical underlying assumptions such as the standard rates of inflation, mortality, discount rate and anticipation of future salary increase. Variation in these assumptions may significantly impact the obligation amount and the annual defined benefit expenses (as analysed in Note 26). The liability as at 31 March 2018 was £16.1 million.

Notes to the Financial Statements

2. Accounting policies (continued)

Significant management judgements (continued)

- **Capitalisation of property development costs**

Distinguishing the point at which a project is more likely than not to continue, allowing capitalisation of the associated development costs requires judgement. After capitalisation management monitors the asset and considers whether changes indicate that impairment is required. The total amount capitalised in the year was £10.2 million.

- **Classification of loans as basic**

The Group's loan facility allows the Group to choose either a LIBOR Basis, Fixed Rate Basis or RPI Linked Basis of interest on amounts it draws down under the loan agreement. It also allows for a "variation in return" that is to switch the basis of interest payable from one of the above bases to another. However, such variation is determinable which itself meets the definition of a basic financial instrument (as set out within Section 11 of FRS102) and is neither contingent on future events nor can it be unilaterally imposed by the lender.

The Group's loan agreement includes a two-way break clause (also referred to as negative compensation) which is applicable where the loan is repaid early and could result in a break cost or break gain.

Management have considered the terms of the loan agreement and concluded that they do meet the definition of a basic financial instrument, therefore are held at amortised cost

Significant Estimates

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be significantly different.

- **Useful lives of depreciable assets**

Management reviews its estimate of the useful lives of depreciable assets at each reporting date based on the expected utility of the assets. Uncertainties in these estimates relate to technological obsolescence that may change the utility of certain software and IT equipment and changes to decent homes standards which may require more frequent replacement of key components. Accumulated depreciation at 31 March 2018 for tangible and intangible fixed assets was £65.8 million (2017: £56.9m)

Basis of consolidation

The consolidated financial statements include the parent, Wirral Partnership Homes Limited and its subsidiaries, Wirral Partnership Homes (Building Services) Limited, Wirral Partnership Homes (Developments) Limited (WPH Developments) and Hilbre Projects LLP and are prepared using the purchase method of accounting. The relevant proportions of Joint Venture profit/loss are consolidated as reported by those entities.

Turnover and revenue recognition

Turnover represents rental income receivable in the year, service charges, fees, income from property sales and other income receivable in the year (excluding VAT) for goods and services supplied in the year and revenue grants (including those from the Community Fund) receivable in the year.

Rental income is recognised from the point when properties under development reach a practical point of completion or otherwise become available for letting. Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Notes to the Financial Statements

2. Accounting policies (continued)

Taxation

The Company is a registered charity and as such is potentially exempt to corporation or capital gains tax. Any taxable profits generated by the subsidiaries will be subject to corporation tax.

Deferred taxation

Deferred tax is recognised in respect of all timing differences at the reporting date, except as otherwise indicated. Deferred tax assets are only recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. If and when all conditions for retaining tax allowances for the cost of a fixed asset have been met, the deferred tax is reversed. Deferred tax is calculated using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference. Amounts recognised in respect of deferred tax are not discounted in accordance with FRS 102.

Value Added Tax

The Group is registered for VAT and charges value added tax (VAT) on some of its income and is able to recover only part of the VAT it incurs on expenditure. The financial statements include VAT to the extent that it is suffered by the Group and is not recoverable from H.M. Revenue and Customs or is subject to the VAT sharing agreement. The balance of VAT payable or recoverable at the year end is included as a current liability or asset.

Community Fund

As part of the stock transfer arrangement with Wirral Metropolitan Borough Council ("the Council"), the Community Fund ('the Fund') was established. The purpose of the Fund is to provide the Company with funds to undertake projects that are mutually beneficial to the Company and the Council while furthering the Company's principal business. A Working Group, made up of an equal number of representatives from the Company and the Council, exists to determine the use of the funds.

The Fund comprises of money from three principal sources:

1. Balance of the Council's Housing Revenue Account on its closure.
2. VAT savings from arrangements put in place at transfer.
3. Council and Company disposal claw back share on the sale of land not to be used for the purpose of social housing.

The monies received by the Fund shall be used for purposes that include several specifically referred to in an agreement between the Council and the Company. The remainder is to be utilised by joint agreement of the Working Group set between the Council and the Company.

Although access to such funds is subject to the agreement of the Working Group (and are therefore not treated as income until agreement has been reached by the Working Group), the Fund's monies are beneficially and legally those of the Company and are therefore included in the Company's reported cash balance.

Prior to application of the Fund's monies a deferred income creditor is recognised that is released on utilisation of the related cash balance. As the Company's approval is required for all fund allocations the deferred income balance is shown as due after one year and linked by disclosure to the cash balance. Where it is known that funds will be allocated in the next 12 months, these are classified as due within one year.

Notes to the Financial Statements

2. Accounting policies (continued)

Government Grants

Government grants include grants receivable from Homes England, local authorities and other government organisations. Government grants received for housing properties are recognised in income over the useful life of the housing property structure and, where applicable, its individual components (excluding land) under the accruals model. Grants relating to revenue are recognised in income and expenditure over the same period as the expenditure to which they relate once reasonable assurance has been gained that the entity will comply with the conditions and that the funds will be received.

Grants due from government organisations or received in advance are included as current assets or liabilities. Government grants received for housing properties are subordinated to the repayment of loans by agreement with Homes England. Government grants released on sale of property may be repayable but are normally available to be recycled and are credited to a Recycled Capital Grant Fund and included in the statement of financial position in creditors. If there is no requirement to recycle or repay the grant on disposal of the asset, any unamortised grant remaining within creditors is released and recognised as in income and expenditure.

Other grants

Grants received from non-government sources are recognised using the performance model. A grant which does not impose specified future performance conditions is recognised as revenue when the grant proceeds are received or receivable. A grant that imposes specified future performance-related conditions on the company is recognised only when these conditions are met. A grant received before the revenue recognition criteria are satisfied is recognised as a liability.

Interest payable

Interest payable is charged to the income and expenditure account in the year.

Financial Instruments

Financial instruments which meet the criteria of a basic financial instrument as defined in Section 11 of FRS 102 are accounted for under an amortised historic cost model. The Group has applied the provisions of both Section 11 and Section 12 of FRS 102 in full and as such has classified all financial instruments as basic.

Non-basic financial instruments are recognised at fair value using an appropriate valuation technique with any gains or losses being reported in surplus or deficit. At each year end, the instruments are revalued to fair value, with the movements posted to income and expenditure.

The Group has not adopted hedge accounting for the financial instruments.

Pensions

The Group participates in two funded multi-employer defined benefit schemes, the Social Housing Pension Scheme ('SHPS') and the Merseyside Pension Fund ('MPF').

For the SHPS, it has not been possible to identify the share of underlying assets and liabilities belonging to individual participating employers. The income and expenditure charge represents the employer contribution payable to the scheme for the accounting period.

Contributions payable to SHPS under the terms of its funding agreement for past deficits are recognised as a liability within other creditors in the financial statements.

For the MPF, scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit credit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, 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 Group.

Notes to the Financial Statements

2. Accounting policies (continued)

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on scheme assets are included net in other finance costs. Re-measurements are reported in other comprehensive income.

Supporting people

Charges for support services funded under Supporting People are recognised as they fall due under the contractual arrangements with Administering Authorities.

Housing properties

Housing Properties are principally properties available for rent and are stated at cost less depreciation. Costs include the cost of acquiring land and buildings, development costs and expenditure incurred in respect of improvements.

Works to existing properties which replace a component that has been treated separately for depreciation purposes, along with those works that result in an increase in net rental income over the lives of the properties, thereby enhancing the economic benefits of the assets, are capitalised.

Shared ownership properties are split proportionally between current and fixed assets based on the element relating to expected first tranche sales. The first tranche proportion is classed as a current asset and related sales proceeds included in turnover, and the remaining element is classed fixed asset and included in housing properties at cost, less any provisions needed for depreciation or impairment.

Freehold land is not depreciated.

Depreciation of housing properties

The Group depreciates the major components of its housing properties over the following useful economic lives:

Structure	60 years
Windows and Doors	30 years
Kitchens	20 years
Bathrooms	30 years
Boilers	15 years
Roofs	40 years
External wall insulation	20 years
CCTV systems	10 years
Car Park	30 years
For High Rise and Sheltered Blocks:	
Heating Systems	25 years
Door Entry, Lift, Fire Alarm and Water Systems	20 years
Electrical systems	15 years

Assets are not depreciated while under construction or until they are brought into use.

Sale of housing properties

Under the terms of the transfer agreement a proportion of the proceeds from the right to buy sales are shared with the Council. The balance of any funds due to the Council will be included as a current liability.

Notes to the Financial Statements

2. Accounting policies (continued)

Impairment

Housing properties are assessed annually for impairment indicators. Where indicators are identified an assessment for impairment is undertaken comparing the scheme's carrying amount to its recoverable amount. Where the carrying amount of a scheme is deemed to exceed its recoverable amount, the scheme is written down to its recoverable amount. The resulting impairment is recognised as operating expenditure.

Investment Properties

Investment properties consist of commercial properties and other properties not held for the social benefit or for use in the business. Investment properties are measured at cost on initial recognition and subsequently at fair value as at the year end, with changes in fair value recognised in income and expenditure.

Other tangible fixed assets

Depreciation is charged on other tangible fixed assets on a straight line basis over their expected useful lives.

Freehold offices	30 years
Car Parking	30 years
CCTV system	10 years
Furniture, fixtures and fittings	4 years
Computers and office equipment	4 years
Other equipment	4 years

Assets are not depreciated while under construction or until they are brought into use.

Intangible fixed assets

Depreciation is charged on intangible assets on a straight line basis over their expected useful lives.

Software	3 years
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Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the group. All other leases are classified as operating leases.

Assets held under finance leases are recognised initially at the fair value of the leased asset, (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring the surplus or deficit. Assets held under finance leases are included in tangible fixed assets are depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to income and expenditure on a straight-line basis over the lease term, unless the rental payments are structured to increase in line with expected general inflation, in which case the group recognises annual rent expense equal to amounts owed to the lessor.

Notes to the Financial Statements

2. Accounting policies (continued)

Investment in Subsidiaries and Joint Ventures

The consolidated financial statements incorporate the financial statements of the association and entities controlled by the group. Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries and joint ventures are accounted for at cost less impairment in the individual company financial statements.

An entity is treated as a joint venture where the Group is party to a contractual agreement with one or more parties from outside of the Group to undertake an economic activity that is subject to joint control. The Consolidated Statement of Comprehensive Income includes the Group's share of the operating results applying accounting policies consistent to the Group. In the Consolidated Statement of Financial Position the interest in associated undertakings are shown as the Group's share of the identifiable net assets/liabilities.

Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transactions costs, and are measured subsequently at amortised cost using the effective interest rate method, less any impairment.

Where deferral of payment terms have been agreed at below market rate, and where material, the balance is shown at the present value, discounted at a market rate.

Creditors

Short term trade creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest rate method.

Properties for sale

Properties for outright sale (including those under construction) are valued at the lower of cost and net realisable value. Cost comprises materials, direct labour and direct development overheads. Net realisable value is based on estimated sales price after allowing for all further costs of completion and disposal.

Stock

Stocks are stated at the lower of cost or net realisable value. Where necessary, provision is made for obsolete and defective stock.

Current asset investments

Investments are stated at cost.

Provisions

Provisions are recognised where the Group has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the accounting period, taking into account the risks and uncertainties surrounding the obligation.

Notes to the Financial Statements

3. Particulars of turnover, cost of sales, operating costs and operating surplus Group - continuing activities

	2018			
	Turnover	Cost of sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000
Social housing lettings	60,177		(50,800)	9,377
Other social housing activities				
Current asset property sales	-	-	-	-
Development expenditure	-	-	(538)	(538)
Other (see note below)	394	-	-	394
	<u>394</u>	<u>-</u>	<u>(538)</u>	<u>(144)</u>
Activities other than Social Housing				
Corporate Repairs	468	(377)	(91)	-
Lettings	1,145	-	(299)	846
Other	1,939	(789)	(312)	838
	<u>64,123</u>	<u>(1,166)</u>	<u>(52,040)</u>	<u>10,917</u>

	2017			
	Turnover	Cost of sales	Operating costs	Operating surplus
	£ '000	£ '000	£ '000	£ '000
Social housing lettings	60,329	-	(43,455)	16,874
Other social housing activities				
Current asset property sales	118	(126)	-	(8)
Development expenditure	-	-	(198)	(198)
Other (see note below)	403	-	-	403
	<u>521</u>	<u>(126)</u>	<u>(198)</u>	<u>197</u>
Activities other than Social Housing				
Corporate Repairs	470	(313)	(90)	67
Lettings	952	-	(195)	757
Other	1,379	-	(994)	385
	<u>63,651</u>	<u>(439)</u>	<u>(44,932)</u>	<u>18,280</u>

Costs associated with Other "Other social housing activities" are predominantly staff costs relating to staff included within social housing lettings operating costs. Any allocation of these costs against the above income streams would be arbitrary and therefore has not been undertaken.

Turnover associated with Other "Activities other than Social Housing" includes sales of properties £758k, other grants £303k, leasehold major repairs £130k and support link £159k.

Notes to the Financial Statements

3. Particulars of income and expenditure from social housing lettings Group

	General Housing £'000	2018 Supported Housing £'000	Total £'000	2017 Total £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	48,520	7,611	56,131	56,389
Charges for support services	864	135	999	991
Service charge income	693	109	802	778
Amortisation of government grants	50	8	58	46
Other revenue grants	1,890	297	2,187	2,125
Turnover from social housing lettings	52,017	8,160	60,177	60,329
Expenditure on social housing lettings				
Management	6,916	1,086	8,002	7,199
Current pension service cost	3,530	554	4,084	2,618
Services	6,195	972	7,167	7,210
Routine maintenance	8,491	1,332	9,823	8,870
Planned maintenance	3,325	521	3,846	3,798
Major repairs expenditure	7,317	1,147	8,464	5,519
Bad debts	163	26	189	174
Depreciation of housing properties	7,566	1,187	8,753	7,912
Restructuring and other costs	408	64	472	155
Operating costs on social housing lettings	43,911	6,889	50,800	43,455
Operating surplus on social housing lettings	8,106	1,271	9,377	16,874
Void losses	1,443	226	1,669	1,637

Notes to the Financial Statements

3. Particulars of income and expenditure from social housing lettings Company

	General Housing £'000	2018 Supported Housing £'000	Total £'000	2017 Total £'000
Turnover from social housing lettings				
Rent receivable net of identifiable service charges	48,520	7,611	56,131	56,389
Charges for support services	864	135	999	991
Service charges receivable	693	109	802	778
Amortisation of government grants	50	8	58	46
Other revenue grants	1,890	297	2,187	2,125
Turnover from social housing lettings	52,017	8,160	60,177	60,329
Expenditure on social housing lettings				
Management	6,852	1,075	7,927	7,066
Current pension service cost	3,530	554	4,084	2,618
Services	6,195	972	7,167	7,210
Routine maintenance	8,491	1,332	9,823	8,870
Planned maintenance	3,325	521	3,846	3,798
Major repairs expenditure	7,317	1,147	8,464	5,519
Bad debt	163	26	189	174
Depreciation of housing properties	7,605	1,193	8,798	7,939
Restructuring and other costs	408	64	472	155
Operating costs on social housing lettings	43,886	6,884	50,770	43,349
Operating surplus on social housing lettings	8,131	1,276	9,407	16,980
Void losses	1,443	226	1,669	1,637

4. Accommodation in management and development

Group and Company

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

	Group & Company	
	2018 No.	2017 No.
Social housing		
General housing		
- Social Rent	9,807	9,627
- Affordable Rent	1,257	1,133
Supported housing	1,755	1,672
Low Cost home ownership	14	3
Total owned	12,833	12,435
Accommodation managed for others	42	44
Total managed	12,875	12,479
Accommodation in development at year end	13	150

Notes to the Financial Statements

5. Operating surplus

The operating surplus is arrived at after charging:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Depreciation of housing properties (Note 3)	8,753	7,912	8,798	7,939
Depreciation of other tangible fixed assets (note 13)	427	401	427	432
Amortisation of intangible fixed assets (note 14)	58	161	58	130
Operating lease rentals				
- vehicles	480	442	480	442
Auditors' remuneration (excluding VAT)				
- for the audit of the financial statements of the Company	28	26	28	26
- for the audit of the accounts of the subsidiaries	8	3	8	3
- for the audit of the accounts of joint ventures	4	-	4	-
- for non-audit services:				
- taxation compliance services	8	8	8	8

6. Surplus on sale of fixed assets – housing properties

	Group & Company	
	2018 £ '000	2017 £ '000
Disposal proceeds	2,748	2,244
Carrying value of fixed assets	(562)	(568)
Administration and legal expenditure	(14)	(25)
	2,172	1,651

There were 57 Right to Buy properties sold during the financial year (2017: 53) and 6 Right to Acquire sales (2017: 2).

7. Interest receivable and other income

	Group		Company	
	2018 £'000	2017 £'000	2018 £ '000	2017 £ '000
Interest receivable and similar income	6	25	6	25
Interest receivable from group undertakings	-	-	76	-
Gift Aid receivable from Subsidiary undertaking	-	-	349	142
	6	25	431	167

Notes to the Financial Statements

8. Interest payable and financing costs

	Group & Company	
	2018	2017
	£ '000	£ '000
Loans and bank overdrafts	3,581	3,809
Defined benefit pension charge – MPF	451	560
Defined benefit pension charge - SHPS	4	6
	4,036	4,375

9. Employees

Average monthly number of employees expressed in full time equivalents (calculated based on a standard working week of 37 hours) :

	Group & Company	
	2018	2017
	No.	No.
Administration	170	170
Property services	19	19
Housing, support and care	147	142
Building operatives	142	142
	478	473

Employee costs:

	Group & Company	
	2018	2017
	£'000	£'000
Wages and salaries	13,889	13,371
Social security costs	1,349	1,284
Other pension costs	4,182	2,248
Restructuring	481	218
	19,901	17,121

The majority of the Group's employees are members of the Merseyside Pension Fund or of the Social Housing Pension Scheme (SHPS). Further information on each scheme is given in note 26.

Notes to the Financial Statements

10. Key managements personnel

Aggregate remuneration of the Executive Management Team and the Board for the year ended 31 March 2018:

Executive Directors	2018 £	2017 £
Executive director emoluments	486,430	475,830
Executive director benefits in kind	-	-
Executive director employers national insurance	62,703	60,412
Executive director pension contributions	64,668	60,296
	<hr/>	<hr/>
Executive Director emoluments	613,801	596,538
Board emoluments	64,531	48,311
	<hr/>	<hr/>
	678,332	644,849
	<hr/>	<hr/>

The emoluments of the Executive Management Team and other staff, excluding pension contributions, for the year or period of actual service, fell into the following bands:

	2018 No.	2017 No.
£60,001 - £70,000	6	4
£70,001 - £80,000	9	12
£80,001 - £90,000	4	-
£90,001 - £100,000	1	1
£100,001 - £110,000	1	-
£110,001 - £120,000	1	1
£120,001 - £130,000	-	-
£130,001 - £140,000	-	-
£140,001 - £150,000	-	-
£150,001 - £160,000	1	1

The table above includes a number of staff whose total remuneration included redundancy and pay in lieu of notice. These fell into the following bandings:

	2018 No.	2017 No.
£60,001 - £70,000	1	-
£70,001 - £80,000	2	2
£80,001 - £90,000	2	-
£90,001 - £100,000	-	-
£100,001 - £110,000	1	-

The emoluments of the highest paid director, the Chief Executive, for the 12 month period, excluding pension contributions, were £154,000 (2017: £151,000). The Chief Executive is a member of the Merseyside Pension Fund. He is an ordinary member of the pension scheme and no enhanced or special terms apply. The Company does not make any further contribution to an individual pension arrangement for the Chief Executive. The Executive Team are considered the key management personnel for the purposes of FRS 102.

Board expenses of £1,310 were incurred in the year (2017: £1,738).

Notes to the Financial Statements

10. Key managements personnel (continued)

Non Executive Directors

The fees and expenses paid by the Association during the year, to the non-executive Directors, its subsidiary Boards and its Committees, are shown below.

Board Director	2018	2017
Steve Foulkes	4,590	4,500
David Clark	11,642	11,431
Muriel Wilkinson	4,590	4,500
Michael Larsen	4,590	4,500
Jean McIntosh	-	2,625
Elizabeth Roberts	-	750
Stuart Whittingham	5,355	5,250
Jeff Green	5,327	4,500
Stephen Penlington	4,590	4,500
Nick Gerrard	5,394	5,385
Phil Gandy	4,621	1,355
Matthew Brown	4,590	1,355
Gordon Ronald	4,590	1,355
Sharon Grover	4,682	1,355
John Fedden	5,465	4,835
Ken Russell	4,590	4,500
Total Remuneration	74,616	62,696

John Fedden and Ken Russell are Board Directors of Hilbre Projects LLP.

Notes to the Financial Statements

11. Tax on Surplus on ordinary activities:

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Current tax				
UK corporation tax on surplus for the period	-	1	-	-
Adjustments in respect of prior years	-	-	-	-
	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
Deferred tax				
Net origination and reversal of timing differences	-	-	-	-
	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>
Total Tax	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Total tax reconciliation				
Surplus on ordinary activities before tax	<u>14,059</u>	<u>16,062</u>	<u>14,810</u>	<u>16,638</u>
Theoretical tax at UK corporation tax rate 19% (2017: 20%)	2,671	3,212	2,812	3,274
Effects of:				
- Income not taxable for tax purposes	(2,671)	(3,211)	(2,812)	(3,274)
- Expenses not deductible for tax purposes	-	-	-	-
- adjustments in tax losses	-	-	-	-
Total tax charge	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>

Notes to the Financial Statements

12. Tangible fixed assets - properties

Group Housing Properties	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed shared ownership housing properties £'000	Total £'000
Cost				
At 1 April 2017	217,206	10,966	163	228,335
Additions	-	11,023	-	11,023
Properties acquired from other social housing entity	26,728	-	-	26,728
Properties acquired - other	340	-	-	340
Work to existing properties	1,697	-	-	1,697
Schemes completed	17,748	(17,748)	-	-
Assets transferred to investment properties	(667)	-	-	(667)
Disposal of components	(631)	-	-	(631)
Disposals	(859)	-	-	(859)
At 31 March 2018	261,562	4,241	163	265,966
Depreciation and impairment				
At 1 April 2017	53,605	-	7	53,612
Depreciation charged in year	8,412	-	-	8,412
Released on transfer to investment properties	(241)	-	-	(241)
Released on disposal of components	(281)	-	-	(281)
Released on disposal	(297)	-	-	(297)
At 31 March 2018	61,198	-	7	61,205
Net book value				
At 31 March 2018	200,364	4,241	156	204,761
At 31 March 2017	163,601	10,966	156	174,723

Notes to the Financial Statements

12. Tangible fixed assets – properties (continued)

Company Housing Properties	Social housing properties held for letting £'000	Social housing properties under construction £'000	Completed shared ownership housing properties £'000	Total £'000
Cost				
At 1 April 2017	218,844	11,343	163	230,350
Additions	-	11,203	-	11,203
Properties acquired from other social housing entity	26,728	-	-	26,728
Properties acquired - other	342	-	-	342
Work to existing properties	1,697	-	-	1,697
Schemes completed	18,262	(18,262)	-	-
Assets transferred to investment properties	(667)	-	-	(667)
Disposal of components	(631)	-	-	(631)
Disposals	(859)	-	-	(859)
At 31 March 2018	263,716	4,284	163	268,163
Depreciation and impairment				
At 1 April 2017	53,666	-	7	53,673
Depreciation charged in year	8,448	-	-	8,448
Released on transfer to investment properties	(241)	-	-	(241)
Released on disposal of components	(281)	-	-	(281)
Released on disposal	(297)	-	-	(297)
At 31 March 2018	61,295	-	7	61,302
Net book value				
At 31 March 2018	202,421	4,284	156	206,861
At 31 March 2017	165,178	11,343	156	176,677

Notes to the Financial Statements

12. Tangible fixed assets – properties (continued)

Housing properties including offices (note 13) book value net of depreciation comprises:

		Group	
		2018 £'000	2017 £'000
Freehold land and buildings - Housing Properties		204,761	174,723
Freehold land and buildings - Office Properties	Note 13	4,473	4,653
Total		209,234	179,376

Housing properties including offices (note 13) book value, net of depreciation comprises:

		Company	
		2018 £'000	2017 £'000
Freehold land and buildings - Housing Properties		206,048	176,677
Freehold land and buildings - Office Properties	Note 13	4,473	4,653
Total		210,521	181,330

Social housing assistance

Group & Company

		2018 £'000	2017 £'000
Total accumulated social housing grant received or receivable at 31 March		13,542	6,442
Held as deferred income		13,266	6,223
Recognised in statement of comprehensive income		276	219
Total		13,542	6,442

Expenditure on works to existing properties

Group & Company

		2018 £'000	2017 £'000
Components capitalised		1,697	1,914
Amounts charged to income and expenditure account (Note 3)		8,464	5,519
Total		10,161	7,433

At 31 March 2018 the Group owned 12,833 housing properties (2017: 12,435). The properties are carried in the balance sheet at cost after depreciation. The Board appointed external professional valuers to value the Group's housing properties as at 31 March 2018 and at that date the value of properties in charge, 11,672, (2017: 11,777), on an existing use for social housing basis, was £267 million (2017: £258 million).

Notes to the Financial Statements

13. Tangible fixed assets – other

Group and Company

	Freehold office properties £'000	Furniture fixtures and fittings £'000	Computers and office equipment £'000	Other Equipment £'000	Total £'000
Cost					
At 1 April 2017	5,303	59	871	723	6,956
Additions	-	-	158	-	158
Reclassification	-	-	26	(26)	-
At 31 March 2018	5,303	59	1,055	697	7,114
Depreciation					
At 1 April 2017	650	34	799	581	2,064
Charged in period	180	13	118	116	427
At 31 March 2018	830	47	917	697	2,491
Net book value					
At 31 March 2018	4,473	12	138	-	4,623
At 31 March 2017	4,653	25	72	142	4,892

14. Intangible fixed assets

Group and Company

	Software £'000	Total £'000
Cost		
At 1 April 2017	1,310	1,310
Additions	-	-
At 31 March 2018	1,310	1,310
Depreciation		
At 1 April 2017	1,252	1,252
Charged in period	58	58
At 31 March 2018	1,310	1,310
Net book value		
At 31 March 2018	-	-
At 31 March 2017	58	58

15. Investment Properties – Non Social Housing Properties held for letting

	Group and Company	
	2018 £'000	2017 £'000
At 1 April 2017	1,658	-
Transfer from housing properties	426	-
Additions	715	1,112
Disposals	(697)	-
Revaluation	5,002	546
At 31 March 2018	7,104	1,658

Notes to the Financial Statements

15. Investment Properties – Non Social Housing Properties held for letting (continued)

Properties are valued at Open Market Value as at 31 March 2018 based on a directors' valuation and are held to be leased to the joint venture Bamboo Estates.

16. Investment in subsidiary

The financial statements consolidate the results of Wirral Partnership Homes (Building Services) Limited (WPH Building Services), Wirral Partnership Homes (Developments) Limited (WPH Developments) and Hilbre Projects LLP.

WPH Building Services is a company limited by guarantee. Wirral Partnership Homes Limited is the sole guarantor and in the event of the Company being wound up, the liability of Wirral Partnership Homes Limited is limited to £1. Effective 1st April 2008 the trade, assets and all liabilities of the WPH (Building Services) Limited were transferred to the parent. The subsidiary has not traded during the year and is dormant.

WPH (Developments) Limited was incorporated in December 2011 with the principal activity being the construction of new properties for WPH. WPH (Developments) Limited commenced trading from April 2013.

Hilbre Projects is a registered LLP consisting of two partners with the primary purpose of the development of residential properties for open market sale. The controlling partner is WPH (Developments) Limited holding 60% of the capital invested. The second partner is Starfish Commercial holding 40% of the capital invested. The LLP was incorporated on 18th November 2016 and commenced trading in the 2017-18 financial year.

The Group holds the following interest in the subsidiary undertakings of the group:

	Class of shares	Holding
WPH (Developments) Limited	Ordinary	100%

The aggregate of share capital and reserves as at 31st March 2018 and of the profit and loss for the year ended on that date for the subsidiary undertaking were:

	Aggregate of share capital	Reserves	Profit / (Loss)
	£	£'000	£'000
WPH (Developments) Limited	1	30	101
	<hr/>	<hr/>	<hr/>
	Capital contribution	Members interests	Profit / (Loss)
	£'000	£'000	£'000
Hilbre Projects LLP	120	(103)	(303)
	<hr/>	<hr/>	<hr/>
	WPH Dev Co £'000	Hilbre £'000	Total £'000
Investment in Subsidiary			
At 1 April 2017	10	-	10
Additions	-	120	120
At 31 March 2018	<hr/> 10 <hr/>	<hr/> 120 <hr/>	<hr/> 210 <hr/>

Notes to the Financial Statements

17. Investment in Joint Venture

Company	2018 £'000	2017 £'000
1 April 2017	90	-
Additions	-	90
At 31 March 2018	90	90

Group	2018 £'000	2017 £'000
1 April 2017	25	-
Additions	-	90
Share of loss retained by the joint venture	(2)	(65)
At 31 March 2018	23	25

Bamboo Estates is a company in which the group has a 50% interest. The other party to the venture is Torus62 Limited, another housing provider. Bamboo began limited trading in the financial year.

18. Properties for sale

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Properties and land for outright sale	3,218	3,402	3,218	3,402
Work in Progress	3,931	-	-	-
	7,149	3,402	3,218	3,402

The properties for outright sale include units purchased under the Empty Homes Improvement for Sale scheme and properties developed for outright sale. Land has been purchased and held for sale to the subsidiary Hilbre Projects. Work in progress represents the value of completed work by Hilbre Projects.

Notes to the Financial Statements

19. Debtors

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Due within one year				
Rent and service charges receivable	2,813	2,768	2,813	2,768
Less: Provision for bad and doubtful rent and service charge debts	(663)	(695)	(663)	(695)
	<u>2,150</u>	<u>2,073</u>	<u>2,150</u>	<u>2,073</u>
Trade debtors	1,181	703	1,046	703
Less: Provision for bad and doubtful trade debts	(209)	(209)	(209)	(209)
Other debtors	545	229	135	190
Prepayments and accrued income	527	1,833	527	1,833
Amounts due from Group undertakings	-	-	408	-
Amounts due from related entities	67	312	67	312
Due within one year	<u>4,261</u>	<u>4,941</u>	<u>4,124</u>	<u>4,902</u>
Due after more than one year	<u>-</u>	<u>-</u>	<u>4,300</u>	<u>-</u>

The debt due after more than year represents the loan made by Wirral Partnership Homes Ltd to Wirral Partnership Homes (Developments) Ltd for on-lending to Hilbre Projects LLP. The loan is repayable by 31 March 2023 and interest is charged at a fixed rate of 6%.

20. Cash at bank and in hand

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash at bank and in hand	<u>8,041</u>	<u>7,202</u>	<u>7,167</u>	<u>6,972</u>

The above bank balances includes a total of £948k (2017: £1,690k) held in respect of the Community Fund. Further background regarding the Community Fund is given in note 2 to the financial statements. All payments from the Community Fund have to be agreed by a Working Group, which is comprised of an equal number of representatives from the Company and the Council.

Notes to the Financial Statements

21. Creditors: amounts falling due within one year

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Trade creditors	219	682	184	682
Rent and service charges received in advance	1,223	1,045	1,223	1,045
Deferred capital grants (note 23)	84	84	84	84
Other taxation and social security	558	616	558	616
Other creditors	1,305	824	1,096	824
Accruals and deferred income	8,469	9,354	7,888	8,769
Amounts due to related entities	98	-	98	-
Amount due to Group undertakings	-	-	139	675
	11,956	12,605	11,270	12,695

The above accruals and deferred income balance includes £5,475k (2017: £5,193k) in respect of the Community Fund (note 25).

22. Creditor: amounts falling due after one year

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
Debt (note 24)	89,300	72,764	89,300	72,764
Deferred capital grants (note 23)	13,284	6,139	13,284	6,139
Deferred income (note 25)	-	1,107	-	1,107
SHPS provision (note 26)	273	324	273	324
	102,857	80,334	102,857	80,334

Notes to the Financial Statements

23. Deferred capital grants

	Group & Company	
	2018	2017
	£'000	£'000
At 1 April	6,223	4,880
Grant received in year	7,203	1,389
Released to income in year	(58)	(46)
At 31 March	13,368	6,223
The deferred income is included in the financial statements as follows:	£'000	£'000
Amounts to be released within one year	84	84
Amounts to be released in more than one year	13,284	6,139
	13,368	6,223

24. Debt analysis

	Group		Company	
	2018	2017	2018	2017
	£'000	£'000	£'000	£'000
In less than one year	7,300	5,925	7,300	5,925
Between one and two years	18,023	15,945	18,023	15,945
Between two and five years	7,034	11,805	7,034	11,805
After five years	56,943	39,089	56,943	39,089
	89,300	72,764	89,300	72,764

The bank loans are secured by way of a floating charge on the housing properties. See note 30 for further information on these balances. The bank loan is repaid in quarterly instalments from a fixed rate of 5.4% to a variable rate. The loan is repayable between 2017 and 2035 and can be repaid or converted to variable. The debt analysed as less than one year old is the element of fixed debt that could be converted to variable within the year and as such is not shown in creditors as due in less than one year in note 21.

Notes to the Financial Statements

25. Deferred income

	Group & Company	
	2018	2017
	£'000	£'000
At 1 April	6,293	9,358
Deferred income received in year	1	7
Utilised In year:		
WBC	(750)	(750)
Your Wirral	(69)	(221)
Magenta Living	-	(2,101)
At 31 March	5,475	6,293
The deferred income is included as follows:	£'000	£'000
Amounts falling due within one year	5,475	5,193
Amounts falling due in more than one year	-	1,100
	5,475	6,293

Deferred income relates to monies paid into the Community Fund and monies received by Magenta to fund future revenue projects. Further background regarding the Community Fund is given in note 2. Related balances to the Community Fund are shown within cash at bank and in hand of £0.9 m (2017: £1.7m).

The sums utilised in the year of £819k (2017: £3,072k), were used to fund projects undertaken by Your Wirral and Wirral Borough Council. Community Projects under the Your Wirral scheme totalling £69k were paid out in the financial year (2017: £221k) and Wirral Borough Council undertook projects totalling £750k (2017: £750k).

26. Employee Pension Schemes

Social Housing Pension Scheme (Group and Company)

The company participates in the scheme, a multi-employer scheme which provides benefits to some 500 non-associated employers. The scheme is a defined benefit scheme in the UK. It is not possible for the company to obtain sufficient information to enable it to account for the scheme as a defined benefit scheme. Therefore it accounts for the scheme as a defined contribution scheme.

The scheme is subject to the funding legislation outlined in the Pensions Act 2004 which came into force on 30 December 2005. This, together with documents issued by the Pensions Regulator and Technical Actuarial Standards issued by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension schemes in the UK.

The scheme is classified as a 'last-man standing arrangement'. Therefore the company is potentially liable for other participating employers' obligations if those employers are unable to meet their share of the scheme deficit following withdrawal from the scheme. Participating employers are legally required to meet their share of the scheme deficit on an annuity purchase basis on withdrawal from the scheme.

Notes to the Financial Statements

26. Employee Pension Schemes (continued)

Social Housing Pension Scheme (Group and Company)

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

Deficit contributions

Tier 1	£40.6m per annum
From 1 April 2016 to 30 September 2020:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 2	£28.6m per annum
From 1 April 2016 to 30 September 2023:	(payable monthly and increasing by 4.7% each year on 1 st April)
Tier 3	£32.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)
Tier 4	£31.7m per annum
From 1 April 2016 to 30 September 2026:	(payable monthly and increasing by 3.0% each year on 1 st April)

Note that the scheme's previous valuation was carried out with an effective date of 30 September 2011. This valuation was certified on 17 December 2012 and showed assets of £2,062m, liabilities of £3,097m and a deficit of £1,035m. To eliminate this funding shortfall, payments consisted of the Tier 1, 2 & 3 deficit contributions.

Where the scheme is in deficit and where the company has agreed to a deficit funding arrangement, the company recognises a liability for this obligation. The amount recognised is the net present value of the deficit reduction contributions payable under the agreement that relates to the deficit. The present value is calculated using the discount rate detailed in these disclosures. The unwinding of the discount rate is recognised as a finance cost.

Present values of provision

	2018 £'000	2017 £'000	2016 £'000
Present value of provision	273	324	360

Reconciliation of opening and closing provisions

	2018 £'000	2017 £'000
Provision at start of period	324	360
Unwinding of the discount factor (interest expense)	4	6
Deficit contribution paid	(52)	(50)
Re-measurements – impact of any change in assumptions	(3)	8
Re-measurements – amendments to the contribution schedule	-	-
Provision at end of period	<u>273</u>	<u>324</u>

Notes to the Financial Statements

26. Employee Pension Schemes (continued)

Social Housing Pension Scheme (Group and Company)

Income and expenditure impact

	2018 £'000	2017 £'000
Interest expense	4	6
Re-measurements – impact of any change in assumptions	(3)	8
Re-measurements – amendments to the contribution schedule	-	-

Deficit contributions

Assumptions

	2018 % per annum	2017 % per annum	2016 % per annum
Rate of discount	1.72	1.33	2.06

The discount rates shown above are the equivalent single discount rates which, when used to discount the future recovery plan contributions due, would give the same results as using a full AA corporate bond yield curve to discount the same recovery plan contributions.

Merseyside Pension Fund (MPF)

The Merseyside Pension Fund is a multi-employer scheme, administered by Wirral Metropolitan Borough Council under the regulations governing the Local Government Pension Scheme, a defined benefit scheme. The most recent formal actuarial valuation was completed as at 31 March 2013 and rolled forward, allowing for the different assumptions required under FRS 102, to 31 March 2016 by a qualified independent actuary.

The employers' contributions to the Merseyside Pension Fund by the Group and Company for the year ended 31 March 2018 were £1,570k (2017: £3,020k) at a contribution rate of 14.3% of pensionable salaries. The employer's contribution rate for the year ending 31 March 2018 has been set at 15.2%. Estimated employers' contributions to the Merseyside Pension Fund during the accounting period commencing 1 April 2018 are £2,790k.

Principal actuarial assumptions

The main financial assumptions used by the actuary in calculating the figures for FRS 17 (Retirement Benefits) were:

Merseyside Pension Fund

	31 March 2018 % per annum	31 March 2017 % per annum
Discount rate	2.7	2.6
Rate of increase in salaries	3.6	3.8
Rate of increase in pensions	2.2	2.3
Inflation assumption - CPI	2.1	2.3

Mortality Assumptions

The post-retirement mortality assumptions adopted to value the benefit obligation at March 2013 and March 2014 are based on the SIPA CMI 2009 and SIPA CMI 2013 tables for both non-retired members and current pensioners.

Notes to the Financial Statements

26. Employee Pensions Schemes (continued)

Merseyside Pension Fund

The assumed life expectations on retirement at age 65 are:

Life expectancy	2018 No. of years	2017 No. of years
Retiring today:		
Males	22	21.9
Females	24.8	24.7
Retiring in 20 years:		
Males	25	24.9
Females	27.8	27.7

Analysis of the amount charged to income and expenditure account – Group & Company

	2018 £'000	2017 £'000
Current service cost	4,084	2,618
Effect of curtailments or settlements	-	35
Administration expenses	63	59
Amount charged to operating costs	4,147	2,712

	2018 £'000	2017 £'000
Net Interest	(451)	(560)
Amounts charged to interest payable and financing Costs	(451)	(560)

	2018 £'000	2017 £'000
Actuarial gain/(loss)	4,969	(699)

Notes to the Financial Statements

26. Employee Pension Schemes (continued)

Merseyside Pension Fund

Changes in present value of defined benefit obligations: Group & Company

	2018	2017
	£'000	£'000
Opening defined benefit obligations	113,402	93,538
Service cost	4,084	2,618
Interest cost	2,936	3,356
Members contributions	836	796
Actuarial (gains)/losses	(5,500)	14,436
Curtailment	-	35
Benefits/transfers paid	(1,938)	(1,377)
Closing defined benefit obligation	113,820	113,402

Changes in plan assets: Group & Company

	2018	2017
	£'000	£'000
Opening fair value of plan assets	95,361	76,448
Interest on plan assets	2,485	2,796
Actuarial (losses)/gains	(531)	13,737
Administration expenses	(63)	(59)
Employer contributions	1,570	3,020
Member contributions	836	796
Benefits / transfers paid	(1,938)	(1,377)
Closing fair value of plan assets	97,720	95,361

	2018	2017
	£'000	£'000
Actual return on scheme assets	1,953	16,150

Major categories of plan assets as a percentage of total plan assets: Group & Company

	2018	2017
Equities	42.2%	53.6%
Government bonds	6.7%	4.0%
Other bonds	23.3%	11.4%
Property	7.1%	7.8%
Cash / liquidity	5.0%	3.4%
Other	15.7%	19.8%

Notes to the Financial Statements

26. Employee Pension Schemes (continued)

Merseyside Pension Fund

Sensitivity Analysis

	Central	+0.1% p.a. discount rate	+0.1% p.a. inflation	+0.1% p.a. pay growth	1 year increase in life expectancy
	£'000	£'000	£'000	£'000	£'000
Liabilities	113,820	111,564	116,121	114,339	115,983
Assets	(97,720)	(97,720)	(97,720)	(97,720)	(97,720)
Deficit	16,100	13,844	18,401	16,619	18,263
Projected Service Cost of next year	3,791	3,679	3,907	3,791	3,872
Projected Net Interest Cost for next year	414	367	477	428	473

27. Financial commitments

Capital expenditure commitments were as follows:

	Group & Company	
	2018 £'000	2017 £'000
Capital expenditure		
Expenditure contracted for but not provided in the accounts	1,100	8,032
Expenditure authorised by the Board, but not contracted	28,196	21,791
	29,296	29,823

The above commitments will be financed primarily through current cash balances and the draw down under existing loan arrangements.

Operating leases

The future minimum lease payments are as set out below. Lease payments relate to the vehicle fleet.

	Group & Company	
	2018 £'000	2017 £'000
(ii) Motor vehicles minimum lease payments:		
Less than one year	385	385
One to five years	1,155	1,540
	1,540	1,925

28. Contingent liabilities

The Group and Company had received notification from development contractors of their intention to make a claim against the Company. Management consider this claim to be without foundation and it is being robustly defended. The potential amount to be claimed is £1.6 million.

Notes to the Financial Statements

29. Net cash inflow from operating activities

	2018 £'000	2017 £'000
Surplus for the year	14,059	16,061
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	9,180	8,309
Amortisation of intangible assets	58	161
Revaluation of Investment Properties	(5,002)	(546)
Share of Loss on Joint Venture	2	65
Increase in properties for sale	(3,747)	(3,245)
Decrease/(Increase) in stock	17	(17)
Decrease/(Increase) in trade and other debtors	680	(749)
Increase/(Decrease) in trade and other creditors	(56)	(968)
Decrease in deferred income	(1,107)	(2,393)
Pension costs less contributions payable	2,525	(358)
Carrying amount of tangible fixed asset disposals	562	568
Release of grant on disposal	-	-
Adjustment for investing or financial activities		
Proceeds from the sale of tangible fixed assets	(2,748)	(2,244)
Government grants utilised in the year	(58)	(46)
Interest payable	4,036	4,375
Interest receivable	(6)	(25)
Net cash generated from operating activities	18,395	18,948

30. Financial assets and liabilities

Financial assets

Other than short-term debtors, financial assets held are cash balances held as cash at bank. They are sterling denominated and the amounts and interest rate profile at 31 March was:

	2018 £'000	2017 £'000
Floating rate	8,041	7,202
	8,041	7,202

The floating rate financial assets attract interest at rates that vary with bank rates.

Notes to the Financial Statements

30. Financial assets and liabilities (continued)

Financial liabilities excluding trade creditors – interest rate risk profile

The Group's financial liabilities are sterling denominated. The amounts and interest rate profile of the Group's financial liabilities at 31 March was:

	2018 £'000	2017 £'000
Floating rate	31,600	9,088
Fixed rate	57,700	63,676
Total (note 24)	89,300	72,764

The fixed rate liabilities have been drawn down at the fixed rate of 5.4% (2017: 5.4%). The loan is repayable between 2017 and 2035.

The floating rate financial liabilities bear interest rates based on the three month LIBOR plus a margin.

Borrowing facilities

The Group has undrawn committed borrowing facilities. The facilities available at 31 March in respect of which all conditions precedent had been met were as follows:

	2018 £'000	2017 £'000
Expiring in one year or less	-	-
Expiring in more than one year but not more than two years	-	-
Expiring in more than two years	35,700	52,236
	35,700	52,236

Categories of financial assets and liabilities

	Group 2018 £'000	Company 2018 £'000
Financial assets at amortised cost	11,775	10,854
Financial liabilities measured at amortised cost	(94,166)	(94,103)
	(82,391)	(83,249)
	Group 2017 £'000	Company 2017 £'000
Financial assets at amortised cost	10,593	9,801
Financial liabilities measured at amortised cost	(79,478)	(78,671)
	(68,885)	(68,870)

Financial assets that are held at amortised cost comprises of cash at bank and in hand, trade debtors, group debtors and other debtors. Financial liabilities measured at amortised cost comprise outstanding loans, trade creditors, group creditors and accruals.

Notes to the Financial Statements

31. Related parties

Of those Board Directors who served during the year two were tenants of Magenta Living: Muriel Wilkinson and Michael Larsen. Rent arrear balances at 31 March 2018 were £309 (2017: £155).

The Board also includes three elected members of Wirral Metropolitan Borough Council. The members who served during the year were as follows:

Jeff Green

Stuart Whittingham

Steve Foulkes

None of the Board members who are councillors are able to use their position to their advantage. Declarations of interest are taken at each Board meeting and connected parties leave the meeting during relevant discussions/decisions.

Transactions with non regulated entities

During the year the Group had intra group transactions with subsidiary WPH (Developments) Limited, an unregulated entity, of £4,389,800 (2017: £10,255,000) relating to housing property design and build services. A management charge of £141,641 (2017: £130,705) was made to WPH (Developments) Limited which was calculated on a pro rata staff basis. During the year the Group had intra group transactions with Hilbre Projects LLP, an unregulated entity, of £443k (2017: £nil) relating to management and build services. During the year Hilbre Projects LLP had intra group transactions with Starfish Commercial of £827k (2017: £nil) relating to construction management services. The balances at the year end due to Wirral Partnership Homes and Starfish Commercial were £328k (2017: £nil) and £83k (2017: £nil) respectively.

Intra Group Interest charges

Intra group interest is charged by the company to its subsidiaries at an agreed commercial rate. At present the only such agreement is in respect of a loan facility to a maximum of £20 million provided by Wirral Partnership Homes to WPH (Developments) Limited for on-lending to Hilbre Projects LLP. The loan is advanced in instalments to meet approved expenditure on development for sale projects. Loan repayments are made as soon as sales receipts are received. During the year WPH (Developments) Limited on-lent £4,300,000 (2017: £nil) and this loan incurred interest charges of £76k (2017: £nil) in the financial year.

Joint Venture

Wirral Partnership Homes has an investment of £90K in Bamboo Estates (2017: £90k) and during the year Wirral Partnership Homes had intra group transactions of £192k (2017: £66k). During the year Bamboo Estates had intra group transactions with Torus62 Limited of £57k (2017: £341k). The balances at the yearend due to Wirral Partnership Homes and Torus62 Limited were £98k (2017: £51k) and £22k (2017: £nil) respectively.

Disclosures in relation to key management personnel are included in note 10.

Notes to the Financial Statements

32. Prior Year Adjustment

The Consolidated and Company Statement of comprehensive Income for the year ended 31 March 2017 has been restated to reclassify the gain on disposal of fixed assets of £1,651,000 from below the operating surplus line to above operating surplus in line with FRS 102 5.9B, as these are considered to be operational assets disposed of in the normal course of business.

The Company's operating surplus for the year ended 31 March 2017 was £18,925,000 and has been restated to £20,576,000. The Consolidated operating surplus for the year ended 31st March 2017 was £18,826,000 and has been restated to £20,477,000. There has been no impact on the overall surplus or total comprehensive income for the year.