Impact Housing Association Limited

Financial Statements
For the Year Ended 31 December 2015

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Board of Management:

Adrian Waite	Chair (to July), resigned 18 June 2015
Mark Costello	Chair (from August)
Jocelyn Manners-Armstrong	Vice-Chair, elected 18 June 2015
Patricia Wardley	
Alan Markbride	Re-elected June 2015, resigned December 2015
David Harrison	
Michael Bauer	
Julie K Gardner	
David Tinwell	
Lilian Baldry	Co-opted April 15, resigned December 2015
Nick Dangerfield	Elected on 18 June 2015
Paul Robson	Co-opted August 2015
Mike Muir	Chief Executive

Chief Executive	Mike Muir
Director of Finance	Graham Wilson
Director of Human Resources	Steve Holliday
Director of Assets & Homes	Julie Monk, commenced employment June 2015
Director of Support & Communities	Bryonie Shaw, commenced employment May 2015
Company Secretary	Lisa Ford, commenced employment December 2015

Registered Office:

Nook Street
Workington
Cumbria
CA14 4EH

Auditors:

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

Principal Bankers:

Clydesdale Bank PLC
National Business Solutions
Lower Ground Floor, Head Office
30 St Vincent Place
Glasgow
G1 2HL

Solicitors:

Brockbank, Curwen,Cain and Hall
Norham House
71 Main Street
Cockermouth
Cumbria
CA13 9JS

Trowers and Hamlins LLP
55 Princess Street
Manchester
M2 4EW

Homes & Communities Agency: LO917

Co-operative and Community Benefit Society Registration Number: 21411R

The Board of Management presents its annual report and the audited accounts for the Year Ended 31 December 2015.

Results
The results for the year are set out on page 18 of the financial statements.

Principal activities
The Association's principal activities during the year were the provision of housing and support services.

Business review
This has been a challenging year for the Association during which it has responded positively to the changing operating environment including the changes to welfare benefits, the retendering of Supporting People contracts and the preparation for the implications of future rent reductions as required. Impact has continued to provide a range of services and the Association has continued to ensure that it achieves its stated vision for people to have a decent home, be able to live as independently as possible and enjoy a good quality of life.

It is anticipated that the financial performance of the Association will be maintained in the foreseeable future.

Board of Management members and their interests
The Board Members in office during the year are listed on page 1. Each elected Board Member holds one fully paid share of £1 in the Association.

Political and charitable contributions
During the year the Association made no political contributions and any charitable contributions were made within the Association's normal activity.

Fixed assets
The changes in fixed assets during the year are stated in note 10 to the financial statements.

Code of Governance
Impact has adopted the National Housing Federation's, 'Code of Governance, promoting Board excellence for housing associations (2015 edition)', as its code of governance and is compliant with it in all respects except for the following part of provision B4:

'Boards should have at least five members and no more than twelve, including any co-optees and any executive Board members.'

Impact's rules state:

D2.1 The Board shall consist of between five and twelve board members (not including co-optees) as may be determined by the Board....

Impact fully supports the code's principle of excellence in governance via a Board which is effective in the strategic leadership and control of the organisation and to this end it has established a standard Board structure of twelve members (including the Chief Executive) to ensure both its Independent and Residents and Service Users constituencies are adequately represented, whilst retaining the flexibility to strengthen the Board through the appointment of co-optees to fulfil any need for other skills/expertise that may arise from time to time.

Statement of Board of Management responsibilities

Co-operative and Community Benefit Societies law requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Association and of the Income and Expenditure of the Association for that year. In preparing the financial statements, the Board is required to:

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

The Board of Management is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time, the financial position of the Association and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act. It is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement from the Board on Internal Controls Assurance for the period January to December 2015

Impact's Board acknowledges that it has overall responsibility for establishing and maintaining a system of internal control and of reviewing the effectiveness of that system.

In this Statement the Board confirms that it has considered the range of internal controls which Impact has in place and reviewed their effectiveness for the year ended 31st December 2015. These include controls which have been put in place to support the achievement of our business aims and objectives, reduce the possibility of material misstatement or loss, and safeguard Impact's assets and interests. Whilst the Board recognises that no system of controls can provide absolute assurance, it aims, through the operation of the controls in place and the internal audit programme, to provide reasonable assurance.

The Risk Management Culture and Framework

Impact has a Risk Management Policy and an Assurance Framework which is reviewed by Audit Committee who report back to Board. In October 2015, we had a comprehensive review of risk items that were discussed and scored accordingly. The policy and framework set the requirements for the ongoing identification, assessment and management of risk at all levels of the organisation. Assurance and risk is a standard Audit Committee agenda item and risk identification features in all Board reports. The Chief Executive reports to Board quarterly on risk, and operational teams provide formal quarterly risk reports linked to business plan objectives.

The Audit Committee Role

The Membership of the Audit Committee changed during the year in line with our Membership Policies and a new Chair was appointed by the Board following the AGM. The Chair commenced in role in June 2015 leading the 6 member Committee. The Audit Committee reports directly and fully to Board.

The Committee updated their Terms of Reference during 2015 which included an overview of risk management. Committee's role was confirmed: in respect to risk management – "to ensure the Association has a rigorous and comprehensive approach to the assessment and mitigation of risk" and in respect to internal controls – "to satisfy the Board that there is a sufficient, systematic review of the internal control arrangements of the association and ensure that weaknesses in control are being corrected and are reported to Board".

To carry out these roles the Audit Committee held three meetings and routinely considered updates on risk, on the assurance map, and on available assurance. They took account of various sources of assurance including external and internal audit reports, feedback from independent consultants, findings from internal reviews and monitoring and external scrutiny outcomes.

Environment and Control Procedures

The Board retains responsibility for a defined range of issues covering strategic, operational, financial and compliance issues. Included in these are new business, projects, services and major developments. Detailed appraisals are carried out and presented to Board for approval for any new or significant areas of activity.

Board has agreed a set of key commitments for the organisation to which all staff work and the business plan supports. It has also agreed a comprehensive framework of policies including delegated authorities, treasury management, equality, integrity & accountability and safeguarding children and adults. These provide firm direction in all areas of our operations and are reviewed and updated annually. The Chief Executive is responsible for Health and Safety matters and reports to Board in detail on an annual basis.

Reporting Systems

Budgets, detailed forecasts, and quarterly financial reports are presented to and approved by Board. Detailed financial monitoring and reporting took place throughout the management structure on a regular basis. The Chief Executive provides a quarterly report to Board on risk and on progress against the business and delivery plan items. Directors report quarterly to Board on operational risk and performance. Board receive minutes from Audit Committee meetings plus a report from the Audit Chair as appropriate.

External Scrutiny

Impact is subject to a range of external scrutiny including inspections, audits, validation visits and accreditations. It also reports to and receives feedback from resident groups and partners, in particular the Salterbeck Residents Association and Impact Tenant and Residents Association (ITARA).

During the year we produced and published our Value for Money Self-Assessment report which is open to scrutiny by our customers and the housing regulator and links with our corporate objectives.

In June 2015, we retained our G1/V1 rating from the Homes and Communities Agency which carries out its own assessment of our performance, in particular looking at finance and governance. Following a Government decision to reduce rents we were required to resubmit our 30 year financial forecasts to reflect the changes. Subsequent to year end, Impact received formal notification from the HCA that we had retained our G1/V1 rating.

In December 2015 we received notification from The Foyer Federation that our Eden Rural Foyer in Penrith had retained its "green & thriving" score, the highest score possible in the Foyer Status Mark Accreditation.

Monitoring, Corrective Action and Improvements

Impact operates a comprehensive system of formal appraisal, regular line management and team meetings. Staff have clearly defined roles and responsibilities and targeted training to support them to work effectively. These structures are underpinned by annual plans, targets and routine performance monitoring which enable us to track progress and take corrective actions in a timely way.

A series of internal reviews took place which included reviews of processes and controls, efficiency and value for money and outcomes for customers. Additionally, a major restructure of front line services was implemented at the beginning of the year to ensure we deliver effective services to customers, particularly in view of welfare benefit changes.

Whistleblowing and fraud were considered at Audit Committee and the fraud return was submitted. There were also no cases reported to the Housing Ombudsman during the year.

Auditors

In accordance with the Co-operative and Community Benefit Societies Act 2014 a resolution to appoint external auditors will be made at Impact's Annual General Meeting to be held on 16th June 2016.

Approved by the Board of Management on:-

Signed on their behalf by:-

Mark Ostell 18/05/16.

Financial and Value for Money Review

Impact has had another year of strong financial performance achieving its financial covenant targets, investing in new and existing stock and by securing offers for new long term loan funding and grant funding despite the prevailing economic conditions.

During the year we have achieved a surplus of £1,319,912 exceeding our minimum covenant requirements, before a one-off adjustment to account for the re-measurement of the Pension Deficit of £1,152,000. This surplus Impact has committed to carrying out service reviews of every aspect of the business to ensure that it maximises investment into services for residents and service users and has again achieved significant Value for Money savings.

As a result of these service reviews and Value for Money reviews, the completion of the review of employment terms and conditions and the re-tendering of existing services, Impact achieved year-on-year reductions in operating costs. Employee costs expressed as a percentage of turnover have risen marginally as a result of new support contracts and the 2% pay award.

	2012	**2013**	**2014**	**2015**
Operating Costs on Lettings as a percentage of Turnover * costs excludes repairs and depreciation	49.2%	48.5%	46.8%	42.9%

	2012	**2013**	**2014**	**2015**
Gross Employee Costs as a Percentage of Turnover	27.9%	26.8%	27.3%	28.4%
Executive Remuneration as a Percentage of Turnover	2.76%	2.59%	2.63%	2.33%

These overall reductions on operating costs have enabled Impact to reinvest funds into maintaining and improving properties and developing community services including welfare reform support and advice for tenants and service users. They have also resulted in greater capacity to invest in development or purchase of new homes with and without HCA grant funding.

	2012	**2013**	**2014**	**2015**
Number of New Homes – units completed	50	62	75	46

Financial and Value for Money Review

Over recent years investment on existing properties has been as follows:

	2012	2013	2014	2015
Investment in Responsive, Cyclical and Planned Maintenance	£3.6m	£3.8m	£3.7m	£3.8m

During the year, when properties become void, Impact carries out an option appraisal on each property to assess the cost benefit and financial viability of continuing to maintain the property. This ensures that Impact is able to maximise its return on assets. The benefit of this work can be seen in the table below which shows the Return on Assets.

	2012	2013	2014	2015
Return on Assets (Operating Surplus/Housing Land & Building Costs)* excludes repairs and depreciation	4.28%	4.36%	4.30%	4.83%
Return on Assets (Operating Surplus/Housing Land & Building Costs)** including repairs and depreciation	1.59%	2.09%	2.12%	2.34%

Capital finance of an additional £5 million was invested in new properties during the year, funded by social housing grant of £2 million and the remainder from loan finance.

In accordance with the organisation's Treasury Management Policy Impact maintains an appropriate balance between fixed and variable rate loans. In recent years prevailing low interest rates have led to average loan interest costs remaining relatively static.

	2012	2013	2014	2015
Average loan interest costs	4.20%	4.63%	4.61%	4.39%

Objectives and Strategy

The objectives and strategy of the Association are set out in a business plan that is reviewed annually and approved by the Board. The Business Plan for 2015 confirmed the four high-level commitments which underpin what we aim to achieve as a business. These shape our strategic Blueprint for 2015-2020 which sets out our ambitious and radical vision for the future. The Blueprint clearly explains our purposes and we aim to achieve these in a collaborative way.

The following are our four Blueprint commitments:

- Poverty Reduction – tackling financial hardship, social isolation and creating new opportunities
- Great Homes – providing well-maintained, safe, secure homes in communities where people want to live
- Raising Aspirations – believing that anything you want to achieve is possible
- Transformational Services –transforming lives by creating opportunities for positive change

Some examples of our actions and achievements against the four Blueprint commitments are listed here below:

1. Poverty Reduction

Objective: Continue to support our tenants and their communities through the recession	
Key Tasks	Achievements
Prepare for implementation of Universal Credit	• The move to the new Universal Credit, replacing previous benefit, started in December 2014. We estimate that over time 700+ tenants will claim Universal Credit, which is payable monthly in arrears directly into tenants' bank accounts. This is a significant change for the majority of tenants and our focus is to help them manage benefit claims on-line, to budget and to manage their money. • We re-modelled our Neighbourhood Housing Service with the objective of achieving greater customer benefit from the same resources. As a result, the service is focused more strongly on customer needs, particularly relating to welfare reform, employment and training, income, finance and health. A key element has been building closer working relationships and partnerships with other organisations including Adult Education, West Lakes College, DWP and Public Health England. • Organisational current arrears have reduced from 1.87% to 1.55% and former tenant arrears from 1.2% to 1.05%. Welfare Reform changes have been mitigated by introducing robust processes to manage claims and an awareness-raising campaign with customers. • We assisted 83 customers to switch energy supplier, each saving an average of £163 per year. • Our Money Matters service worked with 731 customers, and achieved a total financial benefit of £663,000 for these customers. • We have six Impact Furniture Stores, one of which has been in operation for ten years. These are run by staff and 39 volunteers, and sell low-cost, good-quality, donated furniture and white goods which are checked for safety. Our aim is to help people on low incomes furnish their homes and we deliver throughout Cumbria. We are keen to up-cycle furniture and give it a new lease of life. In 2014 we saved 670 tonnes of furniture from landfill.
Develop wider processes to consult and engage with customers	• An initial engagement/annual plan has been agreed with ITARA (Impact Tenants' and Residents' Association) and shared with Salterbeck Residents' Association. This will develop further as discussions about engagement continue. Reports to Board are now a standard item on the ITARA agenda.
Provide services that assist residents to build skills to move into employment	• Positive Futures Work Club meets weekly at the Oval Centre, Nook Street and Nelson Street. A weekly job/work club meets at Eden Rural Foyer. • UK Online in both the east and west enables our customers to access the "Learn My Way" and Universal Job Match. • Across the county we now have access to the "My Work Search" software which enables us to assist customers to develop their CVs, identify transferable skills and talents, search for jobs and apply online. It also links with their Universal Job Match number and therefore contributes to their claimant commitment. • Links were developed with: Lakes College West Cumbria who provide work placements in the Oval café and delivered an accredited computer training programme from the Oval Centre; and with Adult Education who will be delivering some sessions from C47 or at other venues in Carlisle to match potential learners' needs.

	• We provided a wide range of opportunities to help our tenants achieve their ambitions, either to get back to work or have a better quality of life for themselves and their children. • 73 new volunteering placements arranged • 52 children supported with Children in Need funding • In the last 6 months of 2015 over 100 tenants accessed training and 8 moved into paid work • 2 volunteers gained employment with us, and others found work elsewhere.
Improve digital access for customers across General Needs and Positive Impact	• We have established training sessions funded from the Vision budget. Discussions are in progress with other agencies to support the work. • Our Digital Inclusion Thematic Plan details tasks for developing digital inclusion training. • IT training and support is available at all our hubs. Positive Futures sessions, including IT training, have been rolled out from West Cumbria to Carlisle. • Following a consultation event with the customers in Positive Impact, the Digital Personalisation Pilot was launched within the Young People North service five months ago. The pilot aimed to give the PI customers the option to choose their own communication method – whether it be paper-based or digital. The Young People have embraced this and are really enthusiastic which has enhanced their engagement. They have discovered all kinds of new, exciting and creative ways to record digitally their journey with us. • IT Digi clubs have been set up across all the hubs. In November digital champions were established in the west. The development of digital champions has been outlined as a requirement in the vision plan 2016.

1. *Great Homes*

Objective: Secure further loans for development	
Key Tasks	**Achievements**
Review loan portfolio to secure further loans for development	• Subsequent to the year-end, Impact invited tenders for the review of its loan portfolio and this work will be completed in July 2016.
Objective: Progress work on Extra Care – Elderly Schemes	
Progress Extra Care Schemes in Brampton and West Cumbria	• We are currently developing an Extra Care scheme for older residents with 38 self-contained flats, and specialist dementia- friendly support in Brampton.
Deliver dementia friendly services	• Following the flooding at Jenkins Crag Court, we are working with a specialist interior design company to ensure the reinstatement of the building is to dementia-friendly standards.
Objective: Make even better use of our assets	
Asset Register	• A new asset register and asset performance tool was implemented to enable the overall viability of the association's properties to be assessed, and properties to be ranked to show individual performance.

2. *Raising Aspirations*

Objectives	Key Tasks	Achievements
		LetGo is Impact's specialist domestic abuse support service which covers Cumbria and parts of Lancashire. In 2015 our trained staff worked with 1074 clients assisting them to be safer and enjoyed a better quality of life as a result of the service.
		A focus for our Neighbourhood Team in 2015 was to get out and meet with residents, find out what they really wanted and work together to make it happen. This generated: • 500 face-to-face tenancy visits These resulted in clean-up skips, Plant and Grow projects, Salterbeck food-growing project, cooking skills, events and social get-togethers. It also enabled tenants to meet their local Neighbourhood Coordinator and have their views heard.

3. *Transformational Services*

Objective: Implement remodelled Community Hubs	
Key Tasks	**Achievements**
Implement the integrated (NGage) services across Assets & Homes and Support & Communities	Hubs launched/being developed and new teams established. Model in place for all hubs. Organisational offer / menu of services (i-deal) agreed in discussion with ITARA and the Board and being promoted to customers at the end of April. The offer will evolve and local offers be created in discussion with customers over the year.
Implement projects that can bring improved health & wellbeing	We provide housing with support to people with a wide range of support needs throughout Cumbria. Some services are provided by specialist agencies and we also provided services directly via our Positive Impact Service: • 339 young and single homeless people supported in 2015 • 83% of personal goals identified were achieved • 96% of those using the service rated it highly The service is tailored to individual needs and aspirations of clients. All sorts of activities took place to provide opportunities, fundraising, trips and outings, crafts, community events, healthy living promotions – and the service even has its own Oscars awards to celebrate the individual talents and successes of those taking part.
Objective: Progress work on young people's projects	
Key Tasks	**Achievements**
Working with Whitehaven Foyer Board to open the new foyer in September 2015	Impact has continued to work closely with the Whitehaven Foyer Company to develop the young people's scheme in Whitehaven.

Objective: Prepare Positive Impact for Re-tendering	
Key Tasks	**Achievements**
Prepare the Positive Impact Service for Supporting People retendering	After detailed internal evaluation of price, quality and expectations of the new Supporting People Contracts tendered by the County Council, Impact took the decision not to bid for the new contracts.
Objective: Continue our Human Resources Development Programme	
Key Tasks	**Achievements**
New staff consultative agreements, reflecting the low levels of Trade Union membership	Consultation was carried out with staff seeking expressions of interest in membership of a new joint consultative committee (JCC). Nominations were sought, ballot held and new JCC members confirmed.
Board development	Tenants influenced services in a wide range of ways in the year: four tenant Board Members; an active residents' association (ITARA); the Salterbeck Residents Association (SRA); local meetings and events; open days; estate walkabouts; parties and drop-ins; clean-ups. ITARA are always looking for members, and residents are encouraged to contact any of our offices for more information.
Leadership Development Programme	Problems with the proposed provider have resulted in the programme being deferred until a new provider has been identified. Senior managers are working to design and develop a new programme 1 - The LLL (Leadership, Life and Learning) Programme for 6 Managers has been agreed and commenced as planned. 2 - However, the Leadership Development Programme for Senior Managers is under review following a report received from the potential providers and now the financial implications of the budget. Commenced the external Leadership, Life and Learning Programme in late 2015, but the wider leadership programme has been a casualty of the £50K reduction in the training budget, so will not be fulfilled for the foreseeable future.

Objective: Maximise business effectiveness	
Key Tasks	**Achievements**
Introduce Social Return on Investment measurement tool	Value For Money statement incorporates Social Return on Investment examples but further development work required. The VFM Group considered the different methods available. They agreed that it is useful for us to demonstrate key social outcomes from our services; the data collection, monitoring and reporting will require careful planning to ensure it is simple and sustainable.
Review of insurance	Extension to existing Insurance arrangements resulting in savings of £90,000 per year
Review of external auditors	During the year Impact reappointed Beever and Struthers as its External Auditors.
Embed value for money and risk culture across the organisation	Established a working group for both risk and VFM Establish a reporting framework to SMT and Audit
Review and implementation of potential pension changes	New contributions for auto enrolment were implemented and publicised. HR Pensions Roadshows were held to discuss alternative options for the future
Launch Cybertill in Impact Furniture Stores (IFS)	We have seen a reduction in income in IFS year- on-year. The introduction of Cybertills has ensured that income from Gift Aid is maximised by adequate tracking of donated furniture and corresponding sales. The income from Gift Aid in 2015 was £28k, which is over and above the income from the reuse credits that we lost earlier in the year. The Social Enterprise Manager and Director of Support and Communities have drafted a diversification plan and are currently working on a 5-year business plan to ensure that, going forward, IFS is in a stronger position to generate more income.

Performance
As well as delivering value for money services in line with our Business Plan objectives, we delivered good performance throughout the year across our services, as illustrated by these high level indicators:

Our Performance 2015							
Indicator	**Our 2015 Target**	**Our 2015 Performance**	**2014**	**2013**	**2012**	**2011**	**Bench-mark (Median)**
General Needs Current Arrears	2.3% of Gross Rental	1.64%	2.05%	2.53%	2.90%	3.52%	2.47%
General Needs Former Tenant Arrears	0.9% of Gross Rental	0.83%	1.08%	1.19%	1.6%	1.42%	2.00%
Average General Needs Re-let Time	18 Days	22 Days	19 Days	13 Days	12.5 Days	17 Days	26.93 Days
ASB % cases closed & resolved	97%	93%	96%	93%	87%	88.5%	95.07%
% of Properties with a current Gas Safety Record.	100%	100%	99.68%	98.94%	99.59%	99.77%	100%

Trends and Comparisons with our Benchmarking Peer Group

We are a member of Housemark and use comparative (benchmarking) data and knowledge about what is typical for the sector to help us assess how we demonstrate value for money. Our benchmarking data is an asset that can be utilised like any other - the more the data is used, the better value it provides.

To use benchmarking data effectively as part of our business planning and improvement process, we have joined a peer group of 44 housing organisations that are appropriate for our needs, based on a variety of factors such as stock size, region, organisation type or service provided.

- Our **total cost** per property for housing management has **decreased** from £683.48 in 2013/14 to £675.27 in 2014/15 – a decrease of £8.21 per property.

- Our **combined rent arrears** (current and former) as % rent due have **decreased** from 9.95% in 2013/14 to 8.47% in 2014/15.This decrease of 1.48% compares to an average decrease of 0.29% for our benchmarking peer group.

- Our **ASB resolution rate** has **increased** from 94.40% in 2013/14 to 98.05% in 2014/15. This increase of 3.65% compares to no average change for our peer group.

- Our **total cost** per property of responsive repairs and void works has **decreased** from £828.36 in 2013/14 to £745.48 in 2014/15. This decrease of £82.88 compares to an average increase of £3.27 for our peer group.

- Our average **number of responsive repairs** per property has **decreased** from 3.37 in 2013/14 to 2.77 in 2014/15.This decrease of 0.60 compares to an average decrease of 0.09 for our peer group.

- Our **average number of calendar days** taken to complete repairs has **decreased** from 7.8 in 2013/14 to 6.8 in 2014/15.This decrease of 1 day compares to an average increase of 0.16 for our peer group between 2013/14 and 2014/15.

ITARA

Impact Tenants and Residents Association (ITARA) had three Members on Impact's Board during the year, and reported directly at Board Level. It reviewed its own constitution and objectives and recruited new members, aiming to make contact with a wider tenant base and encourage participation. ITARA maintained strong links with the work of the Neighbourhood Teams who provide the main point of contact with general needs tenants on all tenant-related matters

Improving our Economy, Efficiency and Effectiveness

During 2015 we carried out a series of organisational Reviews.

These are part of a rolling programme of internal reviews carried out under our Transforming Impact Agenda, led by the Chief Executive. These reviews look at different aspects of our services and aim to answer questions including "Is the service fit for purpose?", "Are our processes efficient and working as intended?", "Are we getting good outcomes for our customers and our business?" They also encourage staff at every level in Impact to generate ideas for improving what we do and how we do it.

Outcomes from the Reviews that took place in 2015 include:

Review	Outcomes
Vision Implementation Pathway	Identified that staff across the organisation attend briefings to share best practice and highlight areas of good practice relating to developing engaging communication and conversations with customers and making sure that customer queries are owned and followed through by staff across the organisation.
Voids Process	New guidance produced and adopted re: taking notice; pre-termination letter improved; re-directed resource to carry out pre-void inspections; pre-void inspection process strengthened; property advertising process improved.
Extra Care Review	Considered and incorporated dementia design and support elements into new schemes taking account of review finding; increased and demonstrated customer involvement in the design and management of our extra care provision; implemented review findings related to scheme management into existing/new schemes (communal facilities, activities, guests, high tech build in etc.)

A continued programme of service and process reviews will take place in 2016 that are designed to support our drive for delivering economy, efficiency and effectiveness through every aspect of our business. In addition, we will instruct BDO to carry out audits, as well as carrying out our own assurance checks.

Alongside this work, in line with the Regulator's expectations, we continued to strengthen our asset register. This included a fundamental review of properties and categorising them into those to dispose of, those to retain and those to review further, together with detailed work on securitisation.

Independent Auditor's Report to the Members of Impact Housing Association Limited

We have audited the financial statements of Impact Housing Association Limited for the year ended 31 December 2015 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Consolidated Statement of Changes in Reserves, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the housing association's members, as a body, in accordance with the Co-operative and Community Benefit Societies Act 2014. Our audit work has been undertaken so that we might state to the association's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the association and the association's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board and the Auditor

As explained more fully in the Statement of Board's Responsibilities, set out on page 4, the Board is responsible for the preparation of the financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the association's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Board Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the association's affairs as at 31 December 2015 and of its income and expenditure for the year then ended; and

- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2012.

Matters on which we are required to report by exception

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

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

Beever and Struthers

Beever and Struthers
Chartered Accountants and Statutory Auditor
St George's House
215-219 Chester Road
Manchester M15 4JE

Date: 30. 6. 2016

Statement of Comprehensive Income
For the Year Ended 31 December 2015

	Note	2015 £	2014 £
Turnover	2	**18,912,797**	17,273,095
Cost of Sales	2	**(1,313,951)**	(184,250)
Operating Costs	2	**(14,899,933)**	(13,145,797)
Operating Surplus		**2,698,913**	3,943,048
Surplus on Sale of Properties not developed for outright sale	24	**254,611**	237,852
Interest receivable and similar income	6	**12,429**	9,538
Interest payable and similar charges	7	**(2,798,041)**	(2,747,532)
Surplus on ordinary activities before taxation		**167,912**	1,442,906
Tax on surplus on ordinary activities	9	-	-
Retained surplus for the year		**167,912**	1,442,906

There is no difference between surplus on ordinary activities before taxation and the retained surplus for the year stated above and their historical cost equivalents. All amounts relate to continuing activities.

The notes on pages 23 to 43 form an integral part of these financial statements.

Statement of Financial Position as at 31 December 2015

	Note	2015 £	2014 £
Tangible Fixed Assets			
Housing properties	10	**174,590,271**	166,816,719
Less: Depreciation	10	**19,779,126**	18,235,017
		154,811,145	148,581,702
Other fixed assets	10	**1,701,578**	1,733,578
		156,512,723	150,315,280
Current Assets			
Stock	11	**-**	-
Debtors	12	**1,335,981**	1,691,032
Cash at bank and short term deposits	13	**2,585,632**	3,041,882
		3,921,613	4,732,914
Creditors: Amounts falling due within one year	14	**5,594,786**	5,183,025
Net Current (Liabilities)		**(1,673,173)**	(450,111)
Total Assets Less Current Liabilities		**154,839,550**	149,865,169
Creditors: Amounts falling due after more than one year	15	**146,293,635**	141,487,169
Net Assets		**8,545,915**	**8,378,000**
Capital and Reserves			
Share capital	16	**46**	43
Revenue reserve	18	**8,545,869**	8,377,957
		8,545,915	8,378,000

The notes on pages 23 to 43 form an integral part of these financial statements.

The financial statements on pages 18 to 43 were approved by Board of Management on 18th May 2016 and were signed on its behalf by:

Board Member 18/05/16

Board Member ....N. ....

Director/Secretary ....L. Ford..........

Statement of Changes in Reserves
For the Year Ended 31 December 2015

	Income and expenditure reserve £'000
Balance as at 1 January 2014	8,871
Surplus from Statement of Comprehensive Income	1,442
Prior Period Adjustment	(1,936)
Balance at 31 December 2014	8,377
Surplus from Statement of Comprehensive Income	168
Balance at 31 December 2015	8,545

Cash Flow Statement
For the Year Ended 31 December 2015

		2015	2014
		£	£
Net cash inflow from operating activities	1	**6,759,512**	3,903,872
Returns on investments and servicing of finance	2	**(2,785,612)**	(2,589,342)
Net capital expenditure	3	**(5,922,127)**	(8,497,358)
		(1,948,227)	(7,182,828)
Finance	4	**1,491,977**	7,071,001
		(456,250)	(111,827)

1. Reconciliations of Operating Surplus to Net Cash Inflow from Operating Activities

	2015	2014
	£	£
Operating surplus	**2,698,913**	3,522,602
Depreciation charges	**1,787,491**	1,495,738
Less Capitalised Repairs	**(1,090,128)**	(973,712)
Change in stock	-	0
Change in debtors	**355,051**	2,603
Change in creditors	**3,008,185**	(143,359)
	6,759,512	3,903,872

2. Returns on Investments and Servicing of Finance

	2015	2014
	£	£
Interest received	**12,429**	9,538
Interest paid	**(2,798,041)**	(2,598,880)
	(2,785,612)	(2,589,342)

3. Net Capital expenditure

	2015	2014
	£	£
Acquisition and construction of housing properties	**(9,596,981)**	(10,069,931)
Capital grants received	**3,294,763**	1,262,236
Purchase of other tangible fixed assets	**(145,999)**	(110,913)
Proceeds on Sale of Properties	**526,090**	421,250
	(5,922,127)	(8,497,358)

Cash Flow Statement
For the Year Ended 31 December 2015

4. Financing

	2015	2014
	£	£
Loans received	3,000,000	8,750,000
Loans repaid	(1,533,985)	(1,711,749)
Issue costs amortised	25,962	32,750
	1,491,977	7,071,001

5. Reconciliation to Net Cash Flow to Movement in Net Debt

	2015	2014
	£	£
(Decrease) / Increase in cash in the period	(456,250)	(111,827)
Cash used to repay loans	1,533,985	1,711,749
Cash received from loans	(3,000,000)	(8,750,000)
Issue costs (amortised)/incurred	25,962	(32,750)
Change in net debt	(1,896,303)	(7,182,828)
Net debt at 1 January	(59,312,725)	(52,129,897)
Net debt at 31 December	(61,209,028)	(59,312,725)

6. Analysis of Changes in Net Debt

	1 January 2015	Flows	Changes	31 December 2015
	£	£	£	£
Cash and bank	3,041,882	(456,250)	-	2,585,632
Debt due within one year	(1,533,985)	-	(78,564)	(1,612,549)
Debt due after one year	(60,820,622)	(1,491,977)	78,564	(62,234,035)
	(59,312,725)	(1,948,227)	-	(61,260,952)

1. Principal accounting policies

The Association was originally incorporated under the Industrial and Provident Societies Acts 1965 to 2002. Impact operates as a charity, and we are now registered under the Co-operative and Community Benefit Societies Act 2014, Registered Society 21411R. The Association is also registered with the Homes and Communities Agency as a Registered Provider of Social Housing, LO917.

a) Basis of accounting

Summary of significant accounting policies

General information and basis of preparation

Impact Housing Association Limited constitutes a public benefit entity as defined by FRS 102.

The financial statements have been prepared in accordance with applicable accounting standards including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102), the Statement of Recommended Practice for Social Housing Providers 2014, and with the Accounting Direction for private registered providers of social housing in England 2015. The financial statements are also prepared under the requirements of the Housing and Regeneration Act 2008 and the Companies Act 2006 / Cooperative and Community Benefit Societies Act 2014. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. Impact Housing Association Limited adopted the SORP in the current year and an explanation of how transition to the SORP has affected the reported financial position and performance is given in note 27.The financial statements have been prepared in accordance with applicable United Kingdom Accounting Standards and Statements of Recommended Practice of the United Kingdom. The accounts comply with the Co-operative and Community Benefit Societies Act 2014, the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2012, and the Statement of Recommended Practice: accounting by Registered Social Housing Providers Update 2010 published by the National Housing Federation. The accounts are prepared on the historical cost basis of accounting.

b) Turnover

Turnover represents rental income receivable, grants from local authorities and the Homes and Communities Agency, income from the sale of shared ownership and other properties developed for outright sale and other income.

c) Fixed assets and depreciation

Tangible fixed assets, except housing properties, are stated at cost less accumulated depreciation and capital grants. Depreciation is charged on a straight line basis over the expected useful economic lives of the assets at the following annual rates:

Scheme Equipment	20% per annum on cost
Office Equipment	10% per annum on cost
Computers	20% per annum on cost
Motor Vehicles	25% per annum on cost
Office Freehold	2% per annum on building cost

Notes to the Financial Statements
For the Year Ended 31 December 2015 (Continued)

1. Principal accounting policies (Continued)

The useful economic lives of all tangible fixed assets are reviewed annually.

d) Housing Properties

Housing properties are principally properties available for rent and are stated at cost less depreciation. Cost includes the cost of acquiring land and buildings, development costs, interest charges incurred during the development period and expenditure incurred in respect of improvements.

Improvements are works which result in an increase in the net rental income, such as a reduction in future maintenance costs, or result in a significant extension of the useful economic life of the property in the business. Only the direct overhead costs associated with new developments or improvements are capitalised.

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

The costs of shared ownership properties are split between current and fixed assets on the basis of the first tranche portion. The first tranche portion is accounted for as a current asset and the sale proceeds shown in turnover. The remaining element of the shared ownership property is accounted for as a fixed asset and subsequent sales treated as sales of fixed assets.

e) Depreciation of housing properties

Freehold land is not depreciated. Depreciation of buildings and other major components is charged on a straight-line basis after taking into account social housing grant and other grants over the assets expected economic useful life as follows:

Housing Structure	150 years
Roofs	100 years
Kitchens	30 years
Bathrooms	30 years
Heating	30 years
Major Electrical	45 years
Windows	30 years
Lifts	15 years

Properties held on leases are amortised over the life of the lease or their estimated useful economic lives in the business if shorter.

f) Capitalisation of administration costs

Administration costs relating to development activities are capitalised only to the extent that they are incremental to the development process and directly attributable to bringing the properties into their intended use.

1. Principal accounting policies (Continued)

g) Loan finance issue costs

These are written off evenly over the life of the related loan. Loans are stated in the Balance Sheet as the amount of the net proceeds after issue costs, plus increases to account for any subsequent amounts written off.

h) Social Housing Grant (SHG) and Other Grants

Where developments have been financed wholly or partly by Social Housing Grant (SHG) and other grants the cost of those is amortised over the expected useful economic life of the development.

SHG can be recycled by the Association under certain conditions, if a property is sold, or if another relevant event takes place. In these cases the SHG can be used for projects approved by the Homes and Communities Agency. However, SHG may have to be repaid if certain conditions are not met. The net SHG received and not spent is included in current liabilities, taking into account all properties under construction. In certain circumstances, SHG may be repayable and, in that event, is a subordinated unsecured repayable debt.

i) Recycling of Capital Grant

Where Social Housing Grant is recycled, as described above, the SHG is credited to a Recycled Capital Grant Fund (RCGF) which appears as a creditor until spent.

j) Pension and other post-employment benefits.

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 19.

k) Property managed by agents

Where the Association carries the majority of the financial risk on property managed by agents, all the income and expenditure arising from the property is included in the income and expenditure account.

Where the agency carries the financial risk, the income and expenditure account includes only that income and expenditure which relates solely to the Association.

In both cases, where revenue grants are claimed by the Association, these are included in the income and expenditure account.

1. Principal accounting policies (Continued)

l) Properties for sale

Properties developed for outright sale are included in Turnover and Cost of Sales. Properties developed for shared ownership are divided into first tranche sales and other sales. First tranche sales are deducted from the cost of the property concerned. Subsequent tranches are not included in Turnover and Cost of Sales, but are shown as a separate item after the operating surplus in the Income and Expenditure Account. All other sales of fixed asset properties are dealt with in this way.

Properties developed for outright sale are included in current assets as they are intended to be sold. Shared ownership properties are included in fixed assets.

m) Leased Assets

Rentals paid under operating leases are charged to the income and expenditure account as incurred.

n) Disposal Proceeds Fund

Voluntary Purchase Grant net disposal proceeds are credited to this fund which appears as a creditor until spent.

o) Stock

Stock is included at the lower of cost and net realisable value.

p) Loans and borrowings

Loans and borrowings are initially recognised at the transaction price including transaction costs. Subsequently, they are measured at amortised cost using the effective interest rate method, less impairment. If an arrangement constitutes a financing transaction it is measured at present value.

q) Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. The level at which an impairment is assessed is considered as the cash generating unit (CGU)).

If such indication exists, the recoverable amount is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in expenditure through the statement of comprehensive income.

r) Provisions

Provisions are recognised when the organisation has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

Recycled Capital Grant Fund

Capital grants can be recycled under certain condition, if a property is sold, or if another relevant event takes place. Recycled grants can be used for projects approved by the Homes and Communities Agency (HCA) and they are credited to the Recycled Capital Grant Fund within liabilities.

In certain circumstances, such as the sale of housing properties, capital grants may be repayable, and, in that event, is subordinated to the repayment of other loans by agreement with the Homes and Communities Agency (HCA). It is accounted for as soon as the liability arises within creditors: amounts falling due within one year. When any grant to be recycled or repaid is less than the grant relating to the disposal, the difference is treated as abated grant. Abated capital grants are treated as a component of the surplus or deficit on disposal.

Disposal Proceeds Fund

Net disposal proceeds including grant released on sale of a property under the right to acquire scheme and Voluntary Purchase Grant net disposal proceeds are credited to this fund which appears as a creditor until reinvested in appropriate new social housing.

s) Leases

Assets acquired under finance leases are capitalised and depreciated over the shorter of the lease term and the expected useful life of the asset. Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding lease liability using the effective interest method. The related obligations, net of future finance charges, are included in creditors.

Where goods are sold using finance leases, the RP recognises turnover from the sale of goods and the rights to receive future lease payments as a debtor. Minimum lease payments are apportioned between finance income and the reduction of the lease debtor with finance income allocated so as to produce a constant periodic rate of interest on the net investment in the finance lease.

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

t) Turnover and other income

Turnover is measured at the fair value of the consideration received or receivable net of VAT and trade discounts. The policies adopted for the recognition of turnover are as follows:

Turnover represents rental and service charges income receivable in the year net of rent and service charge losses from voids, revenue grants from the Government (local authorities) and the Homes and Communities Agency.

The disposal proceeds from the first tranche of shared ownership properties are included in turnover at the point of legal completion. The second and subsequent tranches are accounted for in administrative expenditure / operating income in the period in which the disposal occurs being the difference between the net sale proceeds and the net carrying value.

u) Going Concern

These accounts have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government announcements in July 2015 have led to a reassessment of Impact's business plan as well as an assessment of the future commitments. No significant concerns have been noted and we consider it appropriate to prepare the financial statements on a going concern basis.

v) Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements.

a. **Development expenditure.** The Association capitalises development expenditure in accordance with the accounting policy described on page 24. Initial capitalisation of costs is based on management's judgement that development scheme is confirmed, usually when Board approval has taken place including access to the appropriate funding. In determining whether a project is likely to cease, management monitors the development and considers if changes have occurred that result in impairment.

b. **Impairment.** Impact has identified a cash-generating method for impairment assessment purposes at a property scheme level.

w) Service charges

Service charge income and costs are recognised on an accruals basis. Impact operates fixed service charges on a scheme by scheme basis and consults with residents on services provided. Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors

x) Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the income statement in other operating expenses.

y) Financial Instruments

Financial assets and financial liabilities are measured at transaction price initially, plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. At the end of each reporting period, financial instruments are measured as follows, without any deduction for transaction costs the entity may incur on sale or other disposal. Debt instruments that meet the conditions in paragraph 11.8(b) of FRS 102 are measured at amortised cost using the effective interest method, except where the arrangement constitutes a financing transaction. In this case the debt instrument is measured at the present value of the future payments discounted at a market rate of interest for a similar debt.

Commitments to receive or make a loan to another entity which meet the conditions in para 11.8(c) of FRS 102 are measured at cost less impairment.

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

2. Turnover, Operating Costs and Surplus

	Turnover £	Operating Costs £	Cost of Sales £	2015 Surplus/ (Deficit) £	2014 Surplus/ (Deficit) £
Income and expenditure from social housing lettings					
General Needs Housing	12,912,832	9,160,549	-	3,752,283	3,581,763
Supported Housing	1,252,942	1,758,324	-	(505,382)	355,690
	14,165,774	10,918,873	-	3,246,901	3,937,453
Income and expenditure from other social housing activities					
Supporting People Contract Income	1,220,785	1,457,184	-	(236,399)	(28,679)
Let Go Service	631,818	600,227		31,591	24,757
Community Investment Activities	1,248,166	1,495,906	-	(247,740)	(36,853)
Shared Equity & Shared Ownership Property sales	1,302,067	0	1,313,951	(11,883)	0
	4,402,837	3,553,318	1,313,951.00	(464,431)	(40,775)
Income and expenditure from non social housing activities					
Student Accommodation	344,186	427,743	-	(83,557)	46,370
	18,912,797	14,899,934	1,313,951	2,698,913	3,943,048

3. Income and Expenditure from Lettings

Income from lettings activities	General Housing £	Supported Housing £	2015 Total £	2014 Total £
Rent receivable net of identifiable Service Charges	11,515,033	588,169	**12,103,202**	11,528,171
Services Charges Receivable	787,353	544,488	**1,331,841**	1,357,497
Net Rents receivable	12,302,386	1,132,657	**13,435,043**	12,885,668
Other Income	106,133	98,874	**205,007**	608,636
Amortisation of Housing Grant	504,314	21,411	**525,725**	515,273
Total Income from Lettings	12,912,832	1,252,942	**14,165,774**	14,009,577
Expenditure on lettings activities				
Services and Support Costs	561,092	243,744	**804,836**	999,711
Management	3,995,477	1,100,894	**5,096,371**	4,834,452
Routine Maintenance	2,936,838	257,444	**3,194,281**	2,353,395
Planned Maintenance	117,076	11,914	**128,990**	165,763
Rent Losses from bad debts	47,679	66,588	**114,266**	166,051
Depreciation of Housing Properties	1,502,388	77,741	**1,580,128**	1,552,752
Total expenditure on lettings	9,160,549	1,758,324	**10,918,873**	10,072,124
Operating Surplus on Letting Activities	3,752,283	(505,382)	**3,246,901**	3,937,453
Rent Losses from voids	(231,776)	(117,221)	**(348,996)**	(318,116)

*Management and Operating Costs include £1,152,000 for the re-measurement of pension deficit.

Impact Housing Association acknowledges the contribution of its partners and supporters during the year which has enable the association to provide Support and Communities programmes, including Domestic Violence and Community Youth Development. These partners include Francis C Scott Trust, the Cumbria Community Foundation, Copeland Community Fund, the Howgill Family Centre, Cumbria County Council, Lakes College, Cumbria Youth Alliance, Workington Town Council, Allerdale BC, Brathay Trust, Cumbria Constabulary, Mind, Action for Children, CADAS, Stainburn School, Cumbria Outdoors, the Ambulance Service, the NHS, the Fire Service, YMCA Kendal and the Foyer Federation.

We also acknowledge the past contributions from **Northern Rock Foundation** towards Impact's Domestic Violence Letgo Service and the development of Foyer facilities for young people.

Impact also thanks its other Development partners and funders that it has worked with over the 2015 year; South Lakeland District Council, Lancaster City Council, Cumbria County Council and the Homes and Communities Agency.

Notes to the Financial Statements
For the Year Ended 31 December 2015 (Continued)

4. Directors Emoluments

The directors are defined as the members of the board, the Chief Executive and any other person who is a member of the Senior Management Team.

The Directors' Emoluments are as follows:

		Gross Salary	Vehicle Benefit	Pension	Other	**2015 Total £**	2014 Total £
Mike Muir	Chief Executive	92,452	5,476	15,393	52	**113,373**	110,745
Graham Wilson	Director of Finance	78,116	4,517	13,006	52	**95,691**	94,619
Keith Dobson	Director of Assets & Homes	5,528	-	920	4	**6,452**	82,381
Steve Holliday	Director of Human Resources	61,337	4,517	10,212	52	**76,118**	75,824
Lorraine Usher	Director of Support & Communities	13,250	1,154	2,206	10	**16,620**	78,594
Bryonie Shaw	Director of Support & Communities	43,022	2,435	7,163	35	**52,655**	-
Julie Monk	Director of Support & Communities	39,988	2,675	6,658	31	**49,352**	-
		333,693	20,774	55,558	236	**410,261**	442,163

The Chief Executive is an ordinary member of the pension scheme. The pension scheme is a final salary scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by Impact Housing Association Limited of £15,393 (2014: £15,091) was paid in addition to the personal contributions of the Chief Executive.

No staff member other than the Directors listed above received greater than £60,000 in remuneration.

5. Employee Information

The average weekly number of persons (including the Chief Executive) employed during the year was:	**2015 Number**	2014 Number
Full time	109	104
Part time	129	135
Average Weekly Number	**238**	**239**
Full Time Equivalent based on 37 Hour Week	**177**	175

	£	**£**
Staff Costs:		
Wages and salaries	**4,723,154**	4,576,013
Social Security costs	**347,080**	343,618
Other Pensions costs	**574,550**	543,658
Remeasurement of Pensions Deficit	**1,152,000**	-
	6,796,784	5,463,289

Notes to the Financial Statements
For the Year Ended 31 December 2015 (Continued)

Note 4 Continued:

Salaries and expenses paid to Board Members

	Salaries		Expenses	
	2015	**2014**	**2015**	**2014**
Adrian Waite	3,849	5,250	259	523
John Nicol	166	1,500	7	368
Patricia Wardley	2,000	1,500	-	-
Alan Markbride	2,000	1,500	-	-
David Harrison	2,000	1,500	-	42
Mark Costello	2,000	833	716	207
Michael Bauer	2,000	900	-	69
Julie K Gardner	2,000	900	-	220
David Tinwell	2,000	900	-	-
Jocelyn Manners-Armstrong	906	-	-	-
Lilian Baldry	1,217	-	-	-
Nick Dangerfield	906	-	-	-
Paul Robson	570	-	-	-
Kenneth Meek	-	833	-	-
	21,614	15,616	982	1,429

The level of expenses paid to Board Members reflects the nature of their work and the distance they may have to travel to attend meetings.

Notes to the Financial Statements
For the Year Ended 31 December 2015 (Continued)

6. Interest Receivable and Similar Income

	2015	2014
	£	£
Bank interest receivable	12,429	9,538

7. Interest Payable and Similar Charges

	£	£
On bank loans and other loans:		
Repayable wholly or partly in more than 5 years by instalments	2,798,041	2,747,532

8. Surplus on Ordinary Activities Before Taxation

		£	£
Surplus on ordinary activities before taxation is stated after charging:			
Depreciation			
Tangible owned fixed assets		1,787,491	1,853,253
Operating lease payments			
	Property	153,203	156,162
	Equipment	71,089	82,432
		224,292	238,594
Auditors' Remuneration			
In their capacity as auditors		17,204	14,270
In respect of other services		-	-

9. Taxation

The Association has charitable status and is therefore exempt from UK Corporation Tax.

The Committee of Management know of no circumstances which will affect this taxation status in the future.

10. Tangible Fixed Assets

	Housing Land & Buildings					Other Fixed Assets			
	Housing Properties Held for Lettings	Housing Properties Under Construction	Completed Shared Ownership Properties	Shared Equity Properties	Total Housing Properties	Freehold Offices	Furniture Equipment & Vehicles	Computer Equipment	Total Other Fixed Assets
	£	£	£	£	£	£	£	£	£
Cost									
At 1 January 2015	152,284,562	9,815,102	1,321,770	3,395,284	166,816,718	1,289,857	1,307,261	343,885	2,941,003
Additions	1,334,383	8,199,832	-	-	9,534,215	-	109,956	36,044	146,000
Completed in the Year	6,314,437	(7,494,586)	199,960	980,189	-	-	-	-	0
Disposals	(465,662)		(200,000)	(1,095,000)	(1,760,662)	-	(49,984)	(1,021)	(51,005)
Adjustment to brought forward balances	102,877	(137,044)	(141,013)	175,180	-				
At 31 December 2015	**159,570,597**	**10,383,304**	**1,180,717**	**3,455,653**	**174,590,271**	**1,289,857**	**1,367,233**	**378,908**	- **3,035,998**
Depreciation									
At 1 January 2015	18,235,017	-	-	-	18,235,017	322,390	710,975	174,061	1,207,426
Charged for Year	1,608,880	-	-	-	1,608,880	25,797	114,956	37,858	178,611
Eliminated on Disposals	(64,771)	-	-	-	(64,771)	-	(50,867)	(750)	(51,617)
At 31 December 2015	**19,779,126**	-	-	-	**19,779,126**	**348,187**	**775,064**	**211,169**	**1,334,420**
Net Book Value									
At 31 December 2015	**139,791,471**	**10,383,304**	**1,180,717**	**3,455,653**	**154,811,145**	**941,670**	**592,169**	**167,739**	**1,701,578**
At 1 January 2015	134,049,545	9,815,102	1,321,770	3,395,284	148,581,701	428,396	596,286	169,824	1,194,506

	2015	2014
	£	£
Freehold land and buildings (NBV)	**154,211,145**	147,981,701
Leasehold (NBV)	**600,000**	600,000
Net Book Value	**154,811,145**	148,581,701

Cost of properties includes £312,000 (2014: £311,000) for direct administrative costs capitalised during the year.

Notes to the Financial Statements
For the Year Ended 31 December 2015 (Continued)

11. Stock

	2015	2014
	£	£
Housing Stock held for resale	-	-
Other Stock	-	-
	-	-

12. Debtors

	2015	2014
	£	£
Rental Debtors	1,046,056	1,287,997
Less: Provision for bad and doubtful debts	(371,635)	(514,149)
	674,421	773,848
Sundry Debtors	273,936	459,773
Prepayments and accrued income	387,624	457,411
	1,335,981	1,691,032

13. Cash at Bank and Short Term Deposits

	2015	2014
	£	£
Short Term Deposits	137,258	124,325
Cash at Bank	2,448,375	2,917,557
	2,585,633	3,041,882

14. Creditors: Amounts falling due within one year

	2015	2014
	£	£
Housing Loans and Other Loans	1,612,549	1,533,985
Deferred Capital Grahnt	530,743	525,725
Rent creditors	113,088	86,726
Trade creditors	732,116	701,172
Capital expenditure on housing properties	111,676	127,781
Accruals, deferred income and other creditors	2,407,334	2,117,343
Taxation & Social Security	87,280	90,293
	5,594,786	5,183,025

15. Creditors: Amounts falling due after more than one year

	2015	2014
	£	£
Capital Grant	**79,080,752**	76,361,115
Pension Deficit	**4,127,000**	3,281,000
Housing Loans and Other Loans	**61,987,255**	60,820,622
Recycled Capital Grant Fund (Note 17)	**675,062**	599,987
Disposal Fund RTA (Note 17)	**404,214**	405,094
Leaseholder Sinking Fund	**19,351**	19,351
	146,293,634	141,487,169

Loans from local authorities, building societies and banks are secured by specific charges on the Association's housing properties and other assets. The loans are repayable at varying rates of interest in instalments falling due as follows:-

	£	£
Within one year	**1,612,549**	1,533,985
Between one and two years	**1,815,547**	1,623,760
Between two and five years	**6,324,114**	5,935,665
In five years or more	**54,749,769**	54,047,205
	64,501,979	63,140,615
Less: Issue costs	**(902,175)**	(786,007)
	63,599,804	62,354,608

The interest rate profile on the loans is shown below.

	Total	**Variable Rate**	**Fixed rate**	**Weighted Average rate**	**Weighted average term**
	£'000	**£'000**	**£'000**	**%**	
The interest rate profile of the PRP at 31 March 2016 was:	**2,798**	**483**	**2,315**	**4.40%**	**20**

At 31 December 2015 Impact has the following borrowing facilities:

	£'000
Undrawn committed facilities	**6,835**
Undrawn facilities	**4,165**
	11,000

16. Called Up Share Capital

	2015	2014
	£	£
Allotted, issued and fully paid at start of year	**43**	40
Issued during the year	**5**	8
Forfeited during the year	**(2)**	(5)
Allotted, issued and fully paid at 31December	**46**	43

The shares do not have a right to a dividend or distribiution in a winding-up and are not redeemable. Each share has full voting rights.

17. Capital Grant Funds	1 January 2015	Grants recycled	Other Payments	31 December 2015
Recycled Capital Grant	599,987	75,075		675,062
Disposal Proceeds Fund	405,094	-	880	404,214

18. Revenue Reserves

	£
At 31st December 2014 (As restated see Note 27)	8,377,957
Surplus for the year to 31 December 2015	167,912
At 31 December 2015	8,545,869

19. Pension Obligations – FRS 102, Section 28, Accounting Disclosures

FOR THE PERIOD ENDING 31 December 2015
COMPANY: Impact Housing Association Limited
SCHEME: The Pensions Trust – Social Housing Pension Scheme

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.

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:

Pension Obligations (Continued)

Deficit contributions

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

	31 December 2015 (£000s)	31 December 2014 (£000s)
Present value of provision	4,127	3,281

Pension Obligations (Continued)

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

(£000s)	Period Ending 31 December 2015
Provision at start of period	3,281
Unwinding of the discount factor (interest expense)	67
Deficit contribution paid	(373)
Remeasurements - impact of any change in assumptions	(55)
Remeasurements - amendments to the contribution schedule	1,207
Provision at end of period	4,127

INCOME AND EXPENDITURE IMPACT

(£000s)	Period Ending 31 December 2015
Interest expense	67
Remeasurements – impact of any change in assumptions	(55)
Remeasurements – amendments to the contribution schedule	1,207
Contributions paid in respect of future service*	*
Costs recognised in income and expenditure account	*

*includes defined contribution schemes and future service contributions (i.e. excluding any deficit reduction pay ments) to defined benefit schemes which are treated as defined contribution schemes. To be completed by the company.

ASSUMPTIONS

	31 December 2014 % per annum	31 December 2015 % per annum
Rate of discount	2.48	2.18

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.

Pension Obligations (Continued)

FRS 102 - SECTION 28 - ADDITIONAL INFORMATION FOR THE PERIOD ENDING 31 December 2015

COMPANY: Impact Housing Association Limited, SCHEME: The Pensions Trust - Social Housing Pension Scheme

The following schedule details the deficit contributions agreed between the company and the scheme at each year end period:

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	31 December 2015 (£000s)	31 December 2014 (£000s)
Year 1	473	373
Year 2	520	389
Year 3	540	405
Year 4	562	422
Year 5	533	440
Year 6	401	407
Year 7	415	272
Year 8	389	282
Year 9	279	252
Year 10	287	137
Year 11	221	142
Year 12	-	109
Year 13	-	-
Year 14	-	-
Year 15	-	-
Year 16	-	-
Year 17	-	-
Year 18	-	-
Year 19	-	-
Year 20	-	-

The company must recognise a liability measured as the present value of the contributions payable that arise from the deficit recovery agreement and the resulting expense in the income and expenditure account, i.e. the unwinding of the discount rate as a finance cost in the period in which it arises.

It is these contributions that have been used to derive the company's balance sheet liability.

Notes to the Financial Statements
For the Year Ended 31 December 2015 (Continued)

	2015	2014
20. Capital Commitments	**£**	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**6,835,664**	4,097,313
Capital expenditure that has been authorised by the Board of Management but has not yet been contracted for	**944,401**	9,338,787
	7,780,065	13,436,100

It is anticipated that the committed amount will be funded by grants and private finance.

21. Revenue Social Housing Grant

Social Housing Grant received to date and dealt with in the income and expenditure account is £Nil (2014: £Nil)

22. Operating Leases

The Association holds properties,vehicles and office equipment under non-cancellable operating leases. At 31 December 2015 the Association had commitments under these leases as follows:-

	Property Leases	Equipment Leases	**2015 Total**	2014 Total
Leases expiring:	£	£	**£**	£
Within one year	82,413	68,525	**150,938**	167,283
In one to two years	72,924	66,275	**139,199**	142,184
In two to five years	26,636	95,075	**121,711**	233,168
In more than five years	51,828	220,941	**272,769**	311,102
	233,801	**450,816**	**684,617**	853,737

23. Units/Bedspaces

The Association had the following units in management at 31 December:

	2015	2014
	Nos.	Nos.
Housing accommodation	**2,443**	2,403
Student Accommodation	**201**	201
Supported Housing	**180**	180
Shared Ownership	**34**	34
Managed by Agents	**243**	243
	3,101	3,061

Notes to the Financial Statements
For the Year Ended 31 December 2014 (Continued)

24. Sale of Properties not developed for outright sale:

	2015 £	2014 £
Proceeds of sales	**526,090**	388,753
Less: Costs of sales	**(271,478)**	(150,901)
	254,612	237,852

25. Related Parties

The Board has tenant members who hold tenancy agreements on normal terms and cannot use their position to their advantage. At 31 December 2015 there were two members of the Association's Board, Patricia Wardley and David Tinwell, who were also tenants of the Association. Their tenancies are on normal terms and neither Patricia Wardley nor David Tinwell can use their position on Impact's Board for any advantage. Rent charged to the Tenant Board members was £4,643 and £4,131 respectively (2014: £4,504 and £3,881). Arrears amounting to £199.77 on the account of Patricia Wardley at 31st December 2015 have subsequently been repaid. There were no other arraers on the Tenant members accounts in 2014 and 2015.

Mike Muir, Impact Chief Executive and Graham Wilson, Impact Finance Director, are both directors of the Whitehaven Foyer Company Limited.

Related party balances are not secured.

26. Grant and Financial Assistance

	2015 £'000	2014 £'000
The total accumulated government grant and financial assistance received or receivable at 31st December 2015		
Held as Deferred Grant	79,080	76,361
Recognised as income in the statement of Comprehensive Income	525	515

27 First-time adoption of SORP / FRS 102

Impact Housing has adopted SORP for the first time in the year ended 31st December 2015.

The effect of transition from previous financial reporting framework to the SORP is outlined below.

a) Changes in accounting policies

The consequential changes in accounting policies resulting from adoption of the SORP are set out in Note 1 to the Financial Statements

b) Reconciliation of reserves

Adjustments to previously reported reserves at the date of transition to the SORP were as follows:

	£'000
Reserves at start date 2014 under previous financial reporting framework	8,871
Grant Restatement	7,355
Depreciation Restatement	(5,549)
Reserves at start date 2014 under the SORP	10,677

Adjustments to previously reported reserves at the end of the comparative period were as follows:

	£'000
Reserves at 31st December 2014 under previous financial reporting framework	9,894
Grant Restatement	7,355
Depreciation Restatement	(6,011)
Pension Provision	(3,281)
Revised Depreciation for the year	(422)
Revised Grant Write-off for the year	515
Pension Deficit Contribution	357
Holiday Pay accrual	(30)
Reserves at 31st December 2014 under the SORP	8,377

c) Reconciliation of comparative period comprehensive income

Adjustments to previously reported comprehensive income in the comparative period were as follows:

	£'000
Comprehensive income for the period ended end date 2014 under previous financial reporting framework	1,022
Grant recognised as Income	515
Revised Depreciation for the year	(422)
Pension Deficit payments	357
Holiday Pay accrual	(30)
Comprehensive income for the period ended end 31st December 2014 under the SORP	1442

27. Explanation of changes to previously reported profit and equity:

a. FRS102 requires that capital grant previously deducted from the cost of fixed assets, is treated as creditors where the fixed assets are carried at cost. The effect compared to current UK GAAP is an increase to the carrying cost of housing properties resulting in an increase in the depreciation at transition of £5,549,000 and a decrease in the surplus for the year ended 31 December 2014 of £422,000.

b. FRS102 requires that government capital grant previously deducted from the carrying cost of housing properties is treated as a deferred capital grant creditor and released to the statement of comprehensive income over the useful life of the associated assets. The effect compared to current UK GAAP is an increase in income recognised on transition of £6,816,000, and £515,000 increase in surplus for the year ended 31 December 2015.

c. FRS102 requires that the cost of unused entitlement and short term employee benefits is measured and recognised in the reporting period. The effect is that unused holiday entitlement has now been recognised as an accrual at the reporting period date. This has resulted in a decrease of reserves at transition of £30,000 and a decrease in the surplus for the year ended 31 December 2015 of £30,000.

d. FRS102 requires that a liability is recognised for the contributions that arise from an agreement to fund a deficit in a multi-employer pension scheme. The effect is that a liability for the SHPS payment plan has been recognised at the present value of the contributions payable using the discount rate specified in note 19. This has resulted in a decrease in reserves of £3,281,000 at transition and a decrease in the surplus in the year ended 31December 2015 of £1,152,000.

e. FRS102 requires the recognition in profit or loss of a net interest cost (or income) on defined benefit pension schemes. This is calculated by multiplying the net pension liability (or asset) by the market yields on high quality corporate bonds. The effect of this, when compared to previous UK GAAP, has been to reduce reported profits for the year ended 31 December 2012 because previous UK GAAP led to the recognition of finance income calculated by reference to the expected returns on the pension plan's specific assets be they equities, properties or bonds. The change has had no effect on reported equity as the measurement of the net defined pension scheme liability (or asset) has not changed. Instead, the decrease in reported profit is mirrored by an increase in actuarial gains which are presented within other comprehensive income.