

The Guinness Partnership Financial Statements

2016-17



Financial Statements

Year ended 31 March 2017

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Report of the Board of The Guinness Partnership and Strategic Report

About Guinness

What we're here to do

Guinness has continued to change and improve. A few years ago we simplified our group structure, and we have continued to make changes to the way we organise ourselves in order to be more efficient, improve how we do things and create capacity to do more. Our continued investment in technology is enabling us to make the services we provide more personal for customers. We recognise that it is the experience individuals have of Guinness that creates relationships – and satisfied customers. We have been on a journey over the last few years, including in January 2017 our merger with Wulvern Housing, and it's one that continues into the future.

We provide homes and housing services to around 65,000 households and deliver over 10,000 hours of care every week. Our core activities are housing for social and affordable rent, affordable home ownership, housing for older people and a range of care services, including domiciliary and extra care, supported and retirement living.

What matters to us is that we provide the right homes and services and that we make every customer's experience of Guinness amazing, every time.

Customers' expectations are changing. Our customers compare the range and quality of Guinness services to supermarkets, banks, utilities providers and public services. They increasingly expect to be able to transact and interact at any time of the day, and 'self-serve' using a range of digital and mobile devices and online or social media channels.

Our ability to recognise and meet these expectations is an important part of providing an amazing customer experience. As is our service style – treating our customers with respect and showing we value them, seeing things from their point of view, keeping our promises, keeping them informed, and responding quickly when things go wrong. But the most important aspect of great service is what we actually do day to day – not only showing a real passion for customer service, but being reliable, consistent, and doing things to a high standard and on time. The repairs service that we deliver – through Guinness Property and our other contractors – is central to this.

Where we operate – our ten largest local authority areas

Area	Homes	% of total
Cheshire East	5,428	8%
Milton Keynes	5,203	8%
Havant	3,896	6%
Manchester	3,847	6%
Sheffield	2,378	3.5%
Rochdale	2,110	3.1%
Stockport	1,680	2.5%
Hackney	1,652	2.4%
Oldham	1,355	2.0%
Gloucester	1,231	1.8%



We're here to improve people's lives and create possibilities for them. We do this by providing as many high quality new homes as possible and the housing and care services our customers most need. We've set some ambitious targets and our Vision for Guinness is:

- To be one of the best service providers in the housing and care sectors.
- To be one of the best employers in the country.
- To generate strong operating surpluses so that we can continue to be a major developer of new homes.

The things that have always been important to us – our customers and our employees - are just as important as they ever were. They are why we're here and, while we face some difficult economic realities and future challenges, we're well placed to deliver our Vision.

Any surplus we make is reinvested in new and existing homes, and improving services for the benefit of our customers and communities.

How we're structured

We provide the majority of our housing services through The Guinness Partnership Limited (TGPL). The Group does, however, include a number of other trading entities and subsidiaries as shown in the chart below:



The context we operate in

We continue to operate in an environment of economic and policy uncertainty, heightened by the UK's departure from the European Union.

The 2016 Autumn Statement and the 2017 Housing White Paper recognise that homes of all tenures are needed to address the housing crisis, although access to home ownership remains a clear feature of the approach. The promotion of the Right to Buy for eligible housing association tenants was a clear manifesto commitment which the Government restates in the White Paper, although no formal launch has been announced. The Government's decision to cut rents in the social housing sector by 1% a year for four years from 2016/17 and implement further changes to welfare benefits has a far-reaching impact for our customers and for Guinness. The Chancellor's March 2017 Budget recognised the need for increased funding for social care, although how this will be delivered is not yet clear.

New house building within and outside the housing association sector remains at levels significantly lower than those required to meet the needs of current and future households. The reduction in capital subsidies from the Government requires greater reliance on generating our own surpluses, which means building homes for sale as well as homes for rent.

We know that in both housing and care we are expected to deliver more and become more efficient – and we're committed to doing that while ensuring the safety and security of our customers in their homes. This has always been a top priority and following the terrible fire at Grenfell Tower in West London, we have sought to reassure tenants of our continued commitment to keep them safe in their homes. We have a strong compliance record, and invest heavily in maintaining the safety of our homes.

Regulatory expectations in the housing and care sectors remain. The fundamentals of the way in which we are regulated by the social housing regulator will not change, despite certain deregulatory measures that took effect from April 2017. The Care Quality Commission continues to expect high standards in its inspections, and we must continue to deliver. Our care business is focused on delivering a quality, ethical service, but continues to operate in a highly-competitive market with tight financial margins.

Our constantly evolving operating context reminds us of the need to remain financially strong and resilient and always be able to adapt to change.

Our activities are regulated by the Homes and Communities Agency (HCA) and the Care Quality Commission (CQC). We have the highest possible Governance (G1) and Viability (V1) ratings from the HCA.

Report of the Board of The Guinness Partnership and Strategic Report...continued

Our strategy

Our Strategy is called Destination 2018 and sets out the path to achieving our Vision.

We want to be one of the best service providers in the housing and care sectors, one of the best employers in the country, and to generate strong operating surpluses so that we can keep building affordable homes.

To achieve this means:

- **Always showing our passion for customer service** – making sure every customer has an amazing experience of Guinness, making every customer feel important to us.
- **Going further** – helping the customers that need more through our tenancy sustainment, affordable warmth and access to work services.
- **Developing remarkable people** – providing the environment, tools and learning opportunities that ensure our people fulfil their potential, grow at Guinness and have a real sense of achievement.
- **A true commitment to diversity and inclusion** – encouraging the great ideas that come from our different perspectives and experiences.
- **Making the most of our assets** – providing the right homes for our customers, now and in the future. Making the right long term choices about which homes we invest in and which we sell to create funds for reinvestment.
- **Purposeful growth and diversification** – investing in activities that generate strong financial returns so we can build more homes.
- **Delivering financial performance and value for money** – delivering efficiencies so that we generate larger surpluses so we can build more homes.
- **Meeting our legal and regulatory requirements** – having an outstanding compliance record.
- **Fully exploiting technologies** – modernising our service offering and our employee experience; improving communication and productivity.
- **Using information intelligently** – knowing our customers so we can provide relevant services. Understanding our performance and what drives it, so we make informed business decisions.
- **Talking to each other and our customers** – sharing our vision and pursuing it with determination. Having conversations about the things that really matter and helping each other so we solve problems quickly.
- **Sharpening our focus** – directing our resources and energies at the things that make a difference and making sure we have the right skills to do them well. Taking advantage of opportunities presented by changes in our operating environment, but also deciding what we don't do any more.

At the start of Destination 2018 we set four strategic targets, which capture our ambition and help us measure our progress:

- Achieve customer satisfaction of **85%+**
- Achieve employee satisfaction of **90%+**
- Build **2,000** new homes
- Deliver an operating margin of **35%+**

How we performed against our strategic objectives in 2016/17

We have summarised below our progress and performance in achieving our key objectives in 2016/17, including an assessment against key performance indicators that allow us to monitor, evaluate and demonstrate delivery.

While we met many of our operational targets, we did not achieve our key customer satisfaction objective. We know that there's more we need to do to deliver our ambition in this area.

In the context of the economic realities facing us, we are reducing our costs and finding ways to operate more efficiently. Our change programme is delivering cost savings and efficiencies and at the same time, improving the way we do things, so we can fulfil our vision to be an amazing organisation.

Our customers

Making every customer experience amazing, every time

During 2016/17 we strengthened our emphasis on being a Customer Service business. We're focused on being brilliant at the basics and we implemented our new Customer Experience Strategy. We're working with our customers to design services that work for them.

We have introduced new technology so we can be more responsive to customers' needs. We know how important our repairs service is to our customers so we, with our contractors, are making sure we're easy to deal with, friendly and fix things on the first visit.

At the start of 2017/18 we introduced our Customer Relationship Management system, which makes it easy for our people to meet customers' needs and will allow us to offer online and mobile services to customers.

In 2016/17 we:

- Introduced our Guinness Service Style, created with customers, which captures how it should feel being a Guinness customer. Our 'Remarkable Writing' training is changing our communications so they are clearer, friendlier and more accessible for our customers.
- Created a new Customer Experience Team who use customer insight intelligently to drive action with customers and colleagues resulting in improved services and increased customer satisfaction.
- Redesigned our website and introduced Live Chat – another way for our customers to contact us and have their issues dealt with promptly.
- Reduced complaints by 15.7% and increased compliments by 55% on the previous year.
- Focused on improving our record for keeping our promises to customers when they've complained, increasing our rate of on-time actions from from 61% to 82%.
- Restructured our Homeowner Services to improve the consistency and reliability of services by creating a dedicated team based in a single location.
- Expanded the coverage of our in-house contractor, Guinness Property, to 70% of our homes, meaning they now carry out repairs for the majority of our housing stock. They completed 83% of repairs at first visit, obtained the RoSPA Gold award and achieved 90% customer satisfaction with repairs and 93% with planned works.
- Set up a Customer Procurement Panel, enabling customers to be involved in the selection of new Gas Maintenance Service contractors and our online repairs booking tool – making sure we choose products that meet our customers' requirements from the very start.
- Modernised our vision for housing for older people.
- We extended our dementia pilot for a second year, with over 1,000 dementia friends across Guinness. We refurbished a community centre in Waterlooville to make it dementia friendly and signed up to a dementia friendly housing charter.

Over the course of the year, overall customer satisfaction with the service we provide to tenants improved by 1% to 77%. Improving customer satisfaction takes time and while many of our services are now much more customer focused, we know we still have more to do to provide the consistent, reliable services our customers expect. Homeowner satisfaction decreased by 4% to 52%. We have fundamentally changed our model for the delivery of services to homeowners and we are confident that as the new team and systems become more established, satisfaction will rise.

Satisfaction with the last completed repair increased from 87.1% to 88.0% – with satisfaction with our in-house contractor, Guinness Property, reaching over 95% during the year.

	Target	Actual
Overall customer satisfaction with the service we provide (tenants) (%)	81.0	77.0
Overall customer satisfaction with the service we provide (home-owners) (%)	60.0	52.0
Overall customer satisfaction with the service we provide (care) (%)	90.0	94.0
Emergency repairs completed in the time agreed (%)	98.5	97.2
Satisfaction with last completed repair (%)	89.0	88.0
Re-let turnaround time (days)	25.5	29.7

Our homes

Being smart and efficient so we can invest in new and existing homes

We are continuing to invest in our existing homes, as well as building new ones. We aim to deliver 2,000 new homes by 31 March 2018 and position ourselves to build at least 1,000 homes per year after 2018. This means building more homes of different tenures and creating additional future capacity through a greater proportion of market sales.

We continue to look at opportunities to improve our existing estates by building new homes for current customers as well as homes for shared ownership and market sale. We are investing in our existing homes to ensure they continue to be safe and enjoyable places for our customers to live.

In 2016/17 we:

- Built 574 new homes – 78% were for social or affordable rent, 10% for shared ownership and 12% for outright sale.
- Continued the regeneration of our Loughborough Park Estate in Brixton.
- Completed the refurbishment of former student accommodation at Delaney Heights, in Salford, creating 119 affordable homes, and started refurbishing the adjacent building, Adelphi Court.
- Started building Quayside in Totnes, an extra care scheme producing homes for older people. It will be a mixture of shared ownership and affordable rent and uses the latest technology to deliver telecare services to our customers.
- Started consulting customers in Hackney and the City of London about regenerating their estates and providing new, modern homes for existing and new customers.

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- Maintained our Decent Homes Standard compliance of 100%.
- Continued to improve our performance on asset compliance, with Internal Audits by KPMG on Gas, Electrical and Fire Safety attaining ratings that give the business significant assurance.
- Won the First Time Buyer Magazine Readers' Award for One Manor Road in Brighton for the most innovative redevelopment of an existing property.

In 2016/17 we invested more than £73 million in maintaining, improving and repairing our existing homes.

In 2016/17 we generated surpluses of £24.7 million from shared ownership and outright sales.

	Target	Actual
No of new homes completed	561	574
Satisfaction with planned repairs (%)	90%	86.1%
% homes meeting the Decent Homes Standard	100.0	100.0
Gas certification compliance (%)	100.0	100.0

Our people

Making Guinness a brilliant place to work

Our people are Guinness. We support our staff to develop both professionally and personally, investing in their skills and technology to help them do outstanding work. That means technologies and better processes that make it easy for our people to do their jobs; and ensuring our people have the right skills and knowledge so they are empowered to make good decisions every day.

In 2016/17 we:

- Updated our Performance Review process to make it fairer and more transparent for employees.
- Launched a new style Employee Survey which reinforced a more modern employee experience. We also increased our Employee Engagement score to 75% from 66% in the previous year.
- Started work on a new diversity and inclusion strategy, making a clear commitment to placing diversity and inclusion as a vital consideration in everything we do.

- Celebrated 276 secondments and internal promotions.
- Recognised members of staff who stand out for their commitment to our customers and purpose at the annual employee Star Awards event.
- Celebrated our Finance Income Team's award for 'Credit Team of the Year' at the North West Finance Awards. We also had employees shortlisted for the Women in Construction Awards and Women in Housing Awards.
- Continued to run our internal Aspire Awards, through which 114 of our people have been helped to complete courses, such as PRINCE 2, digital photography, presentation skills and foreign language lessons.
- Welcomed new members to our Staff Forum following our merger with Wulvern Housing.
- Are proud that Guinness people have proved their generosity again, helping those in need and raising thousands of pounds for charity. Just a few of the initiatives staff have taken part in are Macmillan coffee mornings, our 'Race to Rio', the Easter egg appeal and Christmas toy appeal, Comic Relief and the Great Get Together.
- Are delighted that Guinness Property's Craig Beach was awarded the national accolade 'Operational Employee of the Year' at the Direct Works Forum Awards.
- Continued our significant investment in technology and improved our data, making people's jobs easier.
- Launched a pilot for our new ways of working, which reduce the need for traditional office environments and allow employees to increase their contact time with customers.
- Engaged our people in all the workstreams of our major organisational change programme, Fast Forward.
- Launched our JustSay initiative – further empowering employees by providing a direct channel to escalate any issues of concern or share ideas.

In 2015/16 we started our major re-structuring programme and as a consequence, our employee engagement score fell to 66%. While our re-structuring programme continues, we were pleased to see employee engagement rise to 75% during 2016/17. While this is still short of our target, we are confident this will increase as we embed the improvements we are making.

	Target	Actual
Employee engagement (%)	80.0	75.0
Employee turnover (%)	<15.0	12.3

Our purpose

Going a bit further

Our social purpose extends beyond providing high quality affordable homes. We work with our partners to make sure our business is carried out sustainably, ethically and responsibly.

We want to make a difference in the wider community. We invest in activities that support our communities and open up opportunities for our customers to improve their lives. We can't always do this ourselves and work closely with partners across a number of sectors.

In 2016/17 we:

- Helped 32 customers or community organisations who received Aspire Awards, which assisted them in funding training, equipment and community initiatives.
- Continued to run our apprentice programme. We currently employ 48 apprentices, who range in age from 16 to 39 and from trade apprentices in Guinness Property to business administration apprentices in our offices. Over 7 out of 10 apprenticeships lead onto full-time employment at Guinness.
- Led a Women In Maintenance project in conjunction with the Mears Group and we have supported two female apprentices to train as ambassadors, working with schools and colleges to promote women in maintenance.
- Continued with our 2 year strategic partnership with Thames Reach, one of the country's most important homeless charities. In this second year, we gave out hundreds of small grants to their service users to help them get back on track and offered them work experience and placements.
- Helped run the food pantry in Sheffield which currently has 65 active members who use an affordable shopping service while accessing support for debt and other issues.
- Provided an outreach service in partnership with Mancunian Way, the anti-social behaviour reduction charity, to support and engage young people not currently accessing local services in Salford and West Gorton, Manchester.
- Helped 256 customers with £50,000 from our hardship fund.

Value for Money

Value for Money Statement – Financial Statements 31 March 2017

At Guinness we are committed to delivering and demonstrating Value for Money in everything we do. This is led by the Board, but is a commitment shared across the whole organisation.

Value for Money (VfM) is a strong theme throughout our Strategy and Business Plan for 2017/18 and a key component of how we deliver our corporate objectives. Our approach is amplified in our Value for Money Strategy which creates a framework for our activities. It sets out how we make the best use of our resources and assets to deliver the services our customers need most and to create new homes.

We are focused on:

- Creating capacity by optimising our income and cost base.
- Focusing on what matters most to our customers.
- Making the most of our people.
- Making the best use of our assets.

We have assessed our performance and this summary sets out how we achieve Value for Money in meeting our purpose and business objectives.

Our Value for Money self-assessment is available at www.guinnesspartnership.com.

Summary

Over the last two years we've taken significant steps to transform our organisation. These included the first phase of an organisation restructure based on functional specialisms; simplification of our governance structure; and a significant investment in technology to deliver greater consistency and efficiency in how we work. This year we have continued to build on these foundations by:

- Implementing the next phases of our plans to further improve customer service.
- Reviewing our operating model in detail and delivering significant changes to the way we are organised.
- Further extending the reach of Guinness Property and rewarding the strong performance of Wates with further work across our responsive maintenance geographies.
- Continuing to build homes for sale, which in turn supports our ability to develop homes for rent.

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- Growing through our merger with Wulvern Housing in January 2017, creating immediate Value for Money opportunities without compromising services to customers. Full integration will be achieved in 2017/18, but we have already saved £1.1 million as a result of reducing organisational overheads.

The external environment has seen some significant changes and considerable uncertainty for our sector and for Guinness. We've been well-placed to respond to this as we were already focused on how we best organise ourselves to reduce costs and generate greater efficiencies.

Key achievements during 2016/17 were:

- Phase one of our Customer Services restructure which delivered a reduction of 115 FT employees which provided over £3 million of savings.
- Further improvements to our Customer Services structure, including a redesign and consolidation of our Homeowner Services, a review of our complaints function and out of hours operations, which together reduced costs by £1.2 million. During a time of change, overall customer satisfaction with services (for tenants) has increased slightly to 77%.
- Further cost savings (in notional VAT) through the service provided by Guinness Property, who now carry out responsive repair services to 70% of our properties.
- Building 574 new homes.
- Delivering a surplus of £24.7 million through shared ownership and market sales, enabling us to continue to invest in existing and new homes and our care business.
- The launch of a new website, Live Chat, and development of a new Customer Relationship Management system which went live in early 2017/18. These will allow us to offer improved choice and better services to customers.
- Continued rationalisation of office premises, saving money by closing those that are no longer needed.

During the year we've continued our Fast Forward programme to deliver cost savings and efficiencies and, at the same time, improve the way we do things. This is making us a better and more efficient organisation.

Creating capacity

Our operating surplus is all reinvested in the business and creates the capacity to deliver more affordable homes, maintain those that we already own, and keep delivering the services we are here to deliver. We have updated our Financial Plan which

demonstrates strong underlying profitability, and the capacity to meet our development aspirations. Our Financial Plan shows:

- Underlying profitability (measured by operating margin excluding sales) in excess of 30% over the life of the plan (with the exception of one year).
- Our operating business delivers strong cash flows, sufficient to support future development.

Optimising our income

Our focus on income includes:

- **Maximising rents within the rent framework, and by converting homes to Affordable Rent** – we increased our income from Affordable Rents from £21.1 million to £30.8 million, through 619 conversions from social rent and through the letting of new homes at affordable rent.
- **Minimising the time for which our homes are empty between tenancies** – this remained at 4.2 weeks, slightly behind the sector average, for the year as a whole, but improvements in processes have seen a significant improvement in this KPI from the first half to the second half of the year.
- **Maximising the amount of rent and service charges recovered** – current rent arrears decreased from 4.6% to 3.9% below our target of 4.0% as a result of more effective processes arising from the restructuring carried out at the end of 2015/16. Leasehold and Shared Ownership arrears also decreased from 10.2% to 6.4% and 3.5% to 2.3% respectively.

Optimising our cost base

	2017	2016	Benchmark
Management cost per home	£1,228	£1,238	£1,080
Repair cost per home	£823	£911	£1,010
Total operating cost per home	£2,988	£3,412	£3,970
Weighted Average Cost of Capital	5.4%	5.4%	4.9%

Benchmark: average for all housing associations – Global accounts 2016

Our focus on costs includes:

- **Reviewing our activities and the way we organise ourselves** – our 2016/17 target was set to deliver an operating margin of 33% and incorporated cost savings targets. While the actual margin was just below this we did generate savings of £8.8 million (annualised).
- **Maximising the benefits from our in-house maintenance services** – we further expanded the coverage of Guinness Property in 2016/17 in responsive repairs geographies and additional compliance and safety workstreams, extending the high levels of customer satisfaction that workforce delivers and saving a notional £5.3 million in VAT.
- **Further improving our technology and processes** – our continued investment in technology makes it easier for our customers to deal with Guinness and for our employees to do their jobs. New technology is enabling our move to new ways of working which aims to reduce the need for employees to occupy a traditional office and allow them more contact time with our customers.
- **Procuring efficiently** – we have introduced a new approach to category management and realised procurement savings of £1.4 million (annualised).
- **Delivering change effectively** – in 2015/16 we created a single national team to support delivery of our transformation objectives bringing together our IT and Change teams. This better supports the projects to create savings and efficiencies across all workstreams.

Diversifying to create greater capacity

We've continued to implement our strategy to deliver new homes for sale, through our subsidiaries, Guinness Developments Limited and Guinness Homes Limited. In 2016/17 we sold 250 shared ownership and market sale properties and generated surpluses of £24.7 million. These are re-invested in improving existing homes and services and providing more new affordable homes.

Focusing on what matters most to our customers

We describe and define Guinness as a Customer Service Business, and we have embedded that further in 2016/17. We have continued to promote and develop this in 2016/17 by:

- Creating (with customers and staff) a new service style and rolling this out across the business through our Amazing Service training, already completed by over 1,700 staff.
- Actively engaging customers in some key procurement decisions, most notably the selection of our online repairs tool (to be launched in September 2017) and the selection of our new gas contractors.

- Re-designing our customer facing teams, with staff and customers, and developed new ways of working which will empower staff to work together across functions to solve problems and improve service.
- Establishing a network of Amazing Service leads across all parts of the business, to champion initiatives such as 'brilliant basics', 'fix before sun-down' and 'no more stupid rules'.
- Re-designing our Customer Service Centre processes, reducing avoidable calls from 20% to 13%.

Delivering a customer-focused, cost-effective repairs service

We know how important our repairs service is to our customers – and we're working hard to continue our improvement in this area. A number of important changes took place in 2016/17. We further rationalised the number of contractors who deliver responsive repairs to our customers, making more use of our in-house team and our top performing external contractors. We revised our pricing structure for responsive and void repairs carried out by Guinness Property, to a fixed price per property. We used independent benchmarking to test and demonstrate that this delivers value for money. This is already bringing efficiencies in terms of administrative effort and how we work within the Group.

Adding value – going further for those who need it

We continue to provide services focused on financial inclusion, affordable warmth and access to work. During the year we helped our customers access c. £2.6 million in additional income and c. £4.4 million in additional Housing Benefit.

Making the most of our people

During the year, employee engagement improved from 66% to 75%. We recognised that 2015/16 was a year of significant change for many of our people, as we re-structured parts of our business and commenced a wider programme of changes aimed at creating a more efficient and better organisation and, while the changes have continued during 2016/17, we are creating an organisation that people are happier being part of.

	2017	2016	Benchmark
Attendance levels	97.3%	98.2%	96.6%
Turnover (voluntary)	12.3%	13.1%	16.6%
Employee engagement	75%	66%	75%

Benchmark: median for 14 largest housing associations > 20,000 using HouseMark

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Senior management and Board costs are an important element of our approach in this area. Our highest paid member of staff is our CEO and we benchmark her pay against sector averages. We also use this as a basis to calculate a ratio of highest to average salary, which has fallen during the year. We also benchmark the cost of our Board Members, which has remained consistent.

	2017	2016	Benchmark
CEO pay per home	£4	£4	£4
CEO pay as a % of turnover	0.06%	0.06%	0.07%
Ratio of highest to average salary	9:1	9:1	n/a
Board member pay per home	£2	£2	n/a

Benchmark: average for the largest 10 housing associations

Creating a Value for Money Culture

We are focused on creating the right culture at Guinness. We're making the discussion about Value for Money come alive by getting everyone involved in our plans. In 2016/17 this has included:

- A series of roadshows, where the Executive Team met colleagues, and outlined our strategy in response to changes in our operating environment.
- Involvement of many managers and staff in the programme to redesign services, improve efficiencies and reduce costs through workshops, project teams and smaller initiatives.
- Staff at all levels getting involved in setting stepped performance targets, so that all our performance measures include six-monthly improvements.

Making the best use of our assets

We have made good progress during 2016/17, building on the Asset Management Strategy we agreed in 2015/16.

We have improved our understanding of the performance of our housing stock, making use of analytical tools such as our Asset Performance Evaluation (APE) model, but also using qualitative data from across the business. We are now better able to make rapid decisions on whether properties that become empty should be re-let or disposed of to generate a capital receipt or avoid uneconomic investment requirements. This leaves us very well placed, in terms of pipeline and process, to achieve our 2017/18 target of generating of £4 million through the sale of empty homes.

Our improved analysis and understanding is also allowing us to develop a clearer footprint strategy.

We also agreed in March to launch a significant programme of stock rationalisation, relating to 1,800 homes in the North East and West Midlands. These are two areas that are outside our core geography. We anticipate that this programme will generate significant capital receipts which will increase our ability to deliver new homes.

Return on investment

	2017	2016	Benchmark
Rented homes ROI	6.7%	7.8%	n/a
Shared ownership ROI	4.3%	3.8%	n/a
Total ROI (Operating surplus/social housing assets)	7.2%	7.9%	6.2%
Return on Capital Employed (operating surplus/total assets – current liabilities)	6.9%	7.6%	5.7%

Benchmark: average for all housing associations, Global accounts 2016

Ensuring assets meet future customer needs

Our Housing for Older People steering group continues to make progress. Having completed desktop analysis of our 295 schemes, we have progressed into focusing on the Havant region, where our concentration of schemes enables us to develop holistic plans. Our analysis is that, in the main, and with some modest reinvestment, most of our schemes in this area will remain fit for purpose. More significant discussion is needed of a smaller number of schemes where more fundamental solutions are required, which may include remodelling or disposal. We can draw here on the successful experience of Wulvern in undertaking this work in Cheshire prior to merger.

A small number of schemes have also been identified where disposal is likely to be the most appropriate option. This will need to be handled sensitively, but will generate capital receipts to fund improvements.

Commercial property and office accommodation

We have continued our review of office accommodation, aimed at reducing the number of offices we occupy. Building on the £2.8 million disposal receipts reported last year, this year we have rationalised our office footprint and generated a further £0.6 million of capital receipts, along with ongoing cost savings of £0.6 million per year. This programme of office rationalisation is ongoing into 2017/18, as is our new ways of working initiative which is using technology and improved processes to enable customer-facing staff to minimise unnecessary visits to offices.

We continued to maximise the income from our commercial portfolio by proactively managing the lease renewal process, rent reviews and ensuring vacant properties are re-let at market rental value. The income from commercial assets in 16/17 was £0.4 million, which covers commercial and community assets, and telecoms.

Ensuring legitimate occupancy of our homes

With affordable housing in scarce supply, we have continued to invest in dedicated tenancy fraud detection and over the last year recovered 54 homes.

Planned maintenance

In 2016/17, we invested c.£39 million in planned maintenance. We delivered 1,100 kitchen replacements, 800 bathrooms, 700 storage heaters and 1,400 doors. All of our properties meet Decent Homes standards (with the exception of a small number in East Manchester where exemptions have been agreed with the HCA) and at 86.1% customer satisfaction with the delivery of our planned works programmes, the condition of homes is good.

The Global Accounts view

Cost data has been produced by the HCA based on the Sector Global Accounts for the last 2 years. The Group Audit and Risk Committee and the Board have considered this data, compared our performance between the years, against the quartile data and against our peer associations. They have gained an understanding of how our cost and efficiency programme will impact on these indicators and how they are likely to move in 2016/17 and 2017/18. The 2015/16 cost data is set out in the following table:

Entity	Headline social housing cost CPU (£k)	Management CPU (£k)	Service charge CPU (£k)	Maintenance CPU (£k)	Major repairs CPU (£k)	Other social housing costs CPU (£k)
TGPL 15/16	3.17	1.26	0.32	0.78	0.57	0.24
TGPL 14/15	3.27	1.31	0.32	0.81	0.60	0.23
Upper quartile	4.40	1.24	0.58	1.18	1.10	0.51
Median	3.55	1.02	0.37	0.98	0.81	0.26
Lower quartile	3.19	0.78	0.24	0.82	0.57	0.12
TGPL result	■	■	■	■	■	■

■ Lower quartile ■ Median ■ Upper quartile

Comparing our performance

Benchmarking is important in understanding our performance and costs. We compare how we are doing in a number of ways:

- Against other Registered Providers (RPs) through the HouseMark benchmarking groups.
- Internally against targets and budget: these are set to be challenging but realistic so that improvement in both performance and costs can be achieved.
- Internally over time: to help us understand the impact of changes we make to our business.
- Using the HCA Global Accounts and customised benchmarking against a select peer group to compare our financial performance and capital structure.
- We use comparative data to inform our target and budget setting and to assess our performance in the context of our peer organisations.

Report of the Board of The Guinness Partnership and Strategic Report...continued

Overall, our costs per unit (CPU) fall in the median to lower quartile range and have improved against the median from 2014/15 to 2015/16. We will make further savings to lower our overall costs, and use these savings to improve our services and build more new homes. Although, we have already made some significant progress reducing housing management costs and the merger with Wulvern will help lower them further, we still have more work to do.

Our repairs costs and major repairs costs per unit are both lower quartile, although these costs do vary depending on the timing of our programmes. Through our expansion of Guinness Property, procurement savings and more robust contract management, we will deliver further savings during 2017/18.

Other social housing costs are median to lower quartile, an improvement from 2014/15 which reflected our period of transition, major change programmes and significant investment in new technologies to enable us to deliver improved customer service.

The HouseMark view

We have used HouseMark to provide a historic view of KPIs and costs, mainly in housing management. We are expanding our use of benchmarking data to determine target levels of performance and provide additional insight into our business.

We benchmark against large national organisations, enabling us to compare our costs and performance against similar associations.

From our latest review we know that our housing management costs per property are high when compared to peers, again reflecting some transition costs implementing our new

structures. We have been reviewing both our structures and the way we deliver services in order to improve our efficiency and also the quality of services we provide.

Our analysis of repair costs indicates all costs are better than median. We continue to look for areas for improvement and next year we have a significant focus on planned repairs procurement, and a drive to reduce void turnaround times.

Sector Scorecard

We welcome the development of the Sector Scorecard to enable and enhance our understanding of VfM across the sector, and ensure we are appropriately rigorous in the way we challenge our own performance. We have participated in the national pilot and the CASE (Consortium of Associations in the South East) pilot.

Our plans and performance

We have made good progress against many of our VfM plans and targets for 2016/17. We have achieved savings in terms of reductions in people costs, office costs and direct expenditure, which will reduce our underlying cost base in future years. We have dramatically reduced complaints and increased compliments, and are beginning to improve customer satisfaction. Rent and service charge collection has also continued to improve. Our merger with Wulvern has also led to efficiencies.

We already have some clear plans and priorities for increasing Value for Money in 2017/18. The table on the next page indicates some of the key elements of this:

VfM areas	Key targets
Focusing on what matters most to our customers	<ul style="list-style-type: none"> Overall satisfaction with services (tenants): 85% Overall satisfaction with services (shared owners / leaseholders): 65% Satisfaction with last completed repair: 92% 10% reduction in complaints 100% CQC Compliance (care services) Void turnaround reduced to 25.5 days
Creating capacity – optimising our income and costs	<ul style="list-style-type: none"> Current tenant arrears – 3.5% Operating margin – 35% Void loss – 0.8% Property sales receipts (gross) – £4 million
Significantly increasing our ROI from procurement and improving contract management	<ul style="list-style-type: none"> Mobilise new gas maintenance and servicing contracts (and achieve the financial and service benefits) Deliver major procurements of planned maintenance, electrical works and estate services Continue reducing and consolidating our number of suppliers
Really making the most of our assets	<ul style="list-style-type: none"> Satisfaction with planned repairs: 92% 1,390 new kitchens installed 480 new bathrooms installed 100% homes meeting Decent Homes Standard
Creating capacity – purposeful growth and diversification	<ul style="list-style-type: none"> Deliver 507 new homes Create a pipeline of 1,000+ new homes for future years
Making the most of our people	<ul style="list-style-type: none"> 90% employee engagement Investors in People re-accreditation 100% completion of mandatory training

Report of the Board of The Guinness Partnership and Strategic Report...continued

Financial review

Surplus

The Group generated an overall surplus of £94.4 million, increasing from £62.2 million last year. Our mainstream social housing business continues to produce good returns with turnover increasing from £306 million last year to £315 million in 2016/17 and an increase in the surplus of £17.4 million. This contributes to our overall operating surplus which has also increased partly as a result of the gain from bringing Wulvern's net assets into the Group.

Our strong financial performance has continued to support the V1 rating for financial viability from the HCA and it contributes significantly towards our capacity to build new homes.

The surplus from market sales contributed £22.7 million (2016: £27.9 million) and shared ownership first tranche sales £2 million with the remainder of the operating surplus of £130.3 million deriving from our social housing. The surplus on property sales contributed a further £9.7 million (2016: £11.7 million), partially as a result of our active asset management strategy, and net interest charges totalled £58.1 million (2016: £58.1 million).

Statement of Financial Position

The merger with Wulvern has had an impact on the current year's balance sheet with £247 million of fixed assets and £240 million of loans and other liabilities being added to the TGPL balance sheet. Fixed assets, excluding grant which is included under creditors following the introduction of FRS102 last year, total £3.1 billion and total net assets are £663.6 million, up from £570.4 million in 2015/16.

The main movements are:

- **Stock** has decreased from £70.2 million to £28.5 million, mainly as a result of the majority of remaining flats at Suttons Wharf, many delivered at the end of 2015/16, being sold during the year.
- **Cash at bank** has increased by £33 million to £73.9 million, primarily as a result of receipts from trading activities and property sales exceeding development requirements. The Group continues to hold more than sufficient cash balances for operational needs.
- **Fixed assets** have increased by £272.1 million, which, in addition to the Wulvern merger, represent our activities as a growing business.
- **Debtors and creditors** also both show increases, which reflect fluctuations arising from day to day operations.

The table on the following page provides a summary of the Group's results and key financial indicators for the last five years.

The Guinness Partnership Group	2017 £m	2016 £m	2015 £m	2014 £m	2013 £m
Summary: Statement of Comprehensive Income					
Turnover	430.1	426.1	364.3	292.1	288.6
Operating surplus	130.3	124.2	100.2	79.9	77.9
Net interest charges	(58.1)	(58.1)	(51.6)	(53.1)	(54.7)
Surplus after interest	72.2	66.1	48.6	26.8	23.2
Surplus on disposal of fixed assets	9.7	11.7	8.2	65.3	25.3
Fair value and re-measurement movements	(1.6)	(15.6)	(4.9)	-	-
Gain on transfer of engagements	14.9	-	-	-	-
Surplus for the year before taxation	95.2	62.2	51.9	92.1	48.5
Taxation charge	(0.8)	-	-	(0.6)	(0.1)
Surplus for the year after taxation	94.4	62.2	51.9	91.5	48.4
Summary: Statement of Financial Position					
Assets less current liabilities					
Housing and other fixed assets	3,085.3	2,829.2	2,765.2	2,817.3	2,770.0
Grant	-	-	-	(1,423.1)	(1,444.6)
Fixed asset investment (including bond issue and Debt Service Reserve)	62.2	46.2	38.3	21.0	26.6
Intangible assets	-	-	1.8	2.1	-
Net current assets	6.7	8.9	22.8	40.0	36.8
	3,154.2	2,884.3	2,828.1	1,457.3	1,388.8
Financed by					
Loans, other long term creditors and provisions	2,490.7	2,313.9	2,318.8	999.4	1,022.6
Reserves	663.5	570.4	509.3	457.9	366.2
	3,154.2	2,884.3	2,828.1	1,457.3	1,388.8

Key Financial Ratios	2017	2016	2015	2014	2013
Underlying earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) as % of interest payable (excluding loan redemption penalties)	287%	339%	240%	331%	250%
Operating surplus	30%	29%	28%	27%	27%
Interest cover (underlying operating surplus + depreciation) / net interest	272%	329%	227%	215%	206%
Gearing % (total borrowing / total net worth – reserves plus capital grant)	57.2%	50.0%	54.9%	53.4%	56.4%

Report of the Board of The Guinness Partnership and Strategic Report...continued

Treasury management

Strong treasury management is critical to maintaining our financial resilience. The Group Treasury Management Policy is updated and submitted annually to the Group Board for approval. The Group Audit and Risk Committee and the Group Board review treasury performance. This includes a review of compliance with financial covenants, interest rate management and liquidity projections. At 31 March 2017 the Group complied with all financial covenants in place.

Financing

At 31 March 2017 the Group had total loan facilities of £1,624.3 million of which £1,057.3 million had been drawn (2016: £1,452.3 million of which £1,051.7 million was drawn).

Interest rate management

In accordance with the Group's Interest Rate Management Strategy and in order to mitigate the risk of rises in variable interest rates, at 31 March 2017, 80% of the Group's debt was at rates fixed with a range of maturities between 1 and 34 years (2016: 80.2%). Of this fixed rate debt, 12.0% (2016: 13.2%) was hedged under ISDA agreements.

As at 31 March 2017, the Group's weighted average interest rate cost of capital was 5.4% (2016: 5.4%). At the current ratio of fixed to variable rates, a 0.5% change in interest rates would result in a change of £1.1 million (2016: £1.0 million) to interest payable over a full year.

As at 31 March 2017, 72.0% (2016: 71.0%) of the Group's properties were charged as loan security.

Liquidity

The Group's Treasury Management Policy dictates that the Group's available secured facilities and cash balances must be no less than the forecast cash outflow for the next twelve months. The Group has met this policy requirement throughout 2016/17. The Group has sufficient facilities available to meet known requirements beyond March 2020.

At the year end the Group held cash balances totalling £73.9 million (2016: £41.1 million) of which £68.1 million (2016: £15.7 million) was held on term deposits of up to 3 months at average rates of 0.3% (2016: 0.5%).

Capital and reserves

The reserves of the Group at 31 March 2017 totalled £663.5 million (2016: £570.4 million). The Group Business Plan generates surpluses each year which are re-invested in existing homes, communities, services and new developments, with some provision for contingencies. The Group Board is satisfied that the reserves at 31 March 2017 are at a level that is appropriate for the business.

Regulation and governance

Regulation

Details of the Group's principal regulators are set out below.

The entities which are Registered Providers are registered with the housing association regulator, the Homes and Communities Agency (HCA). Those which are Community Benefit Societies, whether charitable or non-charitable, are also registered with and regulated by the Financial Conduct Authority.

The HCA requires The Guinness Partnership Limited (TGPL) and other Registered Providers in the Group to comply with its Governance and Viability and Consumer Standards. It requires the Boards of each Registered Provider to formally assess compliance with the Governance and Viability Standard on an annual basis. The Board confirms that this has been carried out for the year ended 31 March 2017 and that TGPL and other Registered Providers within the Group comply with the Standard.

The HCA assesses TGPL's compliance with two elements of the Governance and Viability Standard. Their assessments are G1 for the Governance element and V1 for Financial Viability. These are unchanged from 2015/16.

Guinness Care and Support Limited is a charitable Community Benefit Society and Registered Provider. It is also registered with and regulated by the Care Quality Commission.

TGPL is the corporate trustee of The Guinness Trust which is registered with and regulated by the Charity Commission. The Guinness Trust does not form part of the consolidated Group financial statements.

Boards and committees

The Board of TGPL is the Group's ultimate governing body and meets up to ten times per year. It is responsible for:

- Setting the Group Strategy and Business Plan – and monitoring performance on a regular basis.
- Approving budgets and long-term financial plan.
- Championing the Group's vision, values and a positive culture for the Group - with strong customer focus.
- Ensuring overall financial viability and integrity of the Group – and that appropriate financial control and risk management mechanisms are in place.
- Approving the consolidated financial statements of the Group, which include those of TGPL.

All legal entities within the Group have Boards which take responsibility for the strategic, operational and financial performance of the entity.

The Board reviews its performance formally and regularly to ensure it is acting on its responsibilities and to identify where additional skills or expertise may be needed. In 2016/17 an independent Review of Board and Committee effectiveness was carried out, together with Board and Committee members' appraisals.

Newly appointed members take part in a programme of induction meetings to ensure that they have the necessary knowledge and understanding of our sector and activities.

The Guinness Partnership Board – composition and meetings

The Board comprises eight non-executive directors plus the Group Chief Executive. Members are appointed by the Board following recommendation from the Remuneration and Nominations Committee to serve for a term of three years.

As at 31 March 2017, The Guinness Partnership Board had nine members. During 2016/17:

- Jim Dickson stood down as a Board member on 30 September 2016, having served his full term.
- John Lougher was appointed as a Board member on 23 March 2016, effective 1 May 2016.
- Laure Duhot was appointed as a Board member on 18 May 2016, effective 1 July 2016.
- Amanda Calvert was appointed as a Board member on 31 January 2017, effective 31 January 2017
- Phil Morgan was appointed as a Board member on 31 January 2017, effective 31 January 2017

Board and Committee Members bring a wide range of strengths, skills and experience to our Boards and Committees. Details of Board and Committee members' experience and main commitments are presented on page 72 and also available at www.guinnesspartnership.com, together with similar information for the Executive Team.

The Board and the Remuneration and Nominations Committee keep the composition of the Board, Committees and the boards of subsidiaries under regular review to ensure that the appropriate balance of skills, relevant experience, independence and knowledge is maintained to enable them to fulfill their duties and responsibilities effectively.

The Board selection process ensures that non-executive members of the Board, the boards of subsidiaries and committees have the experience and skills to be able to debate and constructively challenge development of strategy and evaluation of performance against objectives, as appropriate to their role.

The recruitment process for the new non-executive members, which took place in early 2016, was facilitated by an independent third party. The same third party interviewed those members of the Board who joined from Wulvern Housing Limited on the merger of Wulvern and The Guinness Partnership Limited to ensure their skills met the needs of the Board.

Report of the Board of The Guinness Partnership and Strategic Report...continued

Non-Executive Board Members' remuneration and meeting attendance

The emoluments of the non-executive members of the Board of The Guinness Partnership Limited during 2016/17 are set out below with their membership of committees and meeting attendance record:

Name / remuneration	TGPL Board	Group Audit & Risk	Service & Performance	Remuneration & Nominations	Health, Safety & environmental	Partnership Board meeting attendance
Neil Braithwaite £25,000	Chair		Chair	■		100%
Peter Cotton £18,000	Deputy Chair			Chair		100%
Jim Dickson £8,000	■		■	■		100%
Mike Petter £16,000	■	■		■	Chair	100%
Samantha Pitt £16,000	■	Chair		■		100%
John Lougher £11,458	■				■	88%
Laure Duhot £9,375	■	■				67%
Amanda Calvert £2,117	■	■				100%
Phil Morgan £2,117	■		■			67%

Committees

The Guinness Partnership Board is supported by four functional committees.

The **Group Audit and Risk Committee** meets four times a year and is responsible for monitoring and reporting to the Board on the Group's systems of internal control and risk assurance, and for overseeing internal and external audit.

The **Remuneration and Nominations Committee** meets at least twice a year, and is responsible to the Board for considering and making recommendations on Board and Committee membership, the appointment of the Chairs of subsidiary company Boards and senior executive remuneration and appointments across the Group. It also commissions reviews of board effectiveness and individual board member appraisals.

The **Service and Performance Committee** meets four times a year and is responsible for monitoring the quality and performance of the services provided to customers. This includes overseeing the provision of services to leaseholders and shared owners as it reflects our aim to deliver a consistent service to all Guinness customers.

The **Health, Safety and Environmental Committee** meets a minimum of four times a year and is responsible for ensuring a robust and embedded approach to health and safety and the environment including compliance with the relevant legislation.

The Executive Team

The Group is managed by the Executive Team led by the Group Chief Executive. Meetings are attended by the Executive Directors for Customer Services, Asset Management, Property Services, Finance, Development, Corporate Services and the Managing Director of Guinness Care & Support Limited. The Executive Team meets fortnightly and attends all meetings of the TGPL Board.

For salary disclosure purposes, members of the Executive Team are referred to as Directors. However, with the exception of the Chief Executive who is a member of the Board of TGPL, they are not regarded as Directors of TGPL for legal purposes. Executive Directors lead key groups which play important roles in our governance:

- **Project Review Group (PRG)** – oversees and monitors our development and regeneration programme and reviews, evaluates and approves all property-related investment and divestment across TGPL, including property acquisition, development activity, regeneration activity, stock transfer and sales activity.

- **Executive Steering Group for Business Change** – oversees and monitors the progress of key strategic and transformational change programmes and projects across Guinness and reviews, evaluates and approves significant capital expenditure (non-property related).
- **Group Risk Panel** – monitors exposure to risk, and embeds a culture of risk awareness and management across Guinness.

Executive pay and reward

We take independent professional advice when setting executive pay. We also consider executive pay in the context of sector benchmarks, taking into account the need to attract and retain suitably qualified people to lead an organisation of our size and complexity.

The overall framework and policy is determined by the Remuneration and Nominations Committee. This Committee is also responsible for recommending proposed remuneration and any contractual changes relating to the terms and conditions of employment of the Group Chief Executive.

Information on employees in salary bands above £60,000 is set out on page 46.

Code of Governance

The Group Board and the Boards of the Registered Providers within the Group have a Code of Governance which complies with the National Housing Federation's 2015 Code.

We are required to confirm our compliance with the Code or explain any non-compliance with it. We were compliant with the Code for 2016/17 except in respect of the Code's requirement that the maximum term for non-executive members should normally be nine years. At 1 April 2017 Jim Dickson; Penny Hayes and Jeremy Robinson were Guinness Care and Support Limited Board Members each with total service in excess of nine years. Their current terms of appointment are due to expire on 30 September 2017.

There are comprehensive governance policies in place which apply to Board and Committee members as well as employees and engaged customers. Board and Committee members are remunerated and signed agreements for services are in place.

Report of the Board of The Guinness Partnership and Strategic Report...continued

Transparency and openness

The Guinness Partnership is committed to being open and transparent in how we conduct our business and interact with our customers and other stakeholders. We publish a Transparency Statement which sets out our approach to:

- Achieving value for money and efficiency.
- Allocating resources and spending money.
- Decision-making and governance.
- Evaluating business performance.
- Involving our customers.
- Handling requests for information.

This Statement is available at www.guinnesspartnership.com.

Fraud, anti-bribery and whistle blowing

We are also committed to maintaining the highest ethical standards in our business activities and we adopt a zero tolerance approach towards any form of corruption. We embed this through our policy and employee training frameworks.

- **Fraud** – any instance of suspected fraud is investigated and where appropriate reported to the relevant authorities including internal audit, external audit, our Regulator and the police. Our anti-fraud policy covers the prevention, detection, investigation, and reporting of fraud, including remedial action if fraud has occurred, in order to learn lessons and prevent a recurrence. Our policies and procedures also address tenancy fraud and we have dedicated Tenancy Enforcement roles in our structure.
- **Anti-Bribery** – we adopt a zero tolerance approach to any form of bribery, and this applies to all entities within the Group and all relationships entered into between members of the Group and third parties.
- **Whistle Blowing** – we have a whistleblowing policy which enables all employees or others with serious concerns over any aspect of our work or conduct to report these to an independent party should they wish to.

Modern Slavery Act 2015

We are committed to achieving a greater understanding of our supply chains to identify and prevent slavery or human trafficking. We have published a Statement in accordance with the Modern Slavery Act 2015. It applies to all entities that form part of The Guinness Partnership Group and sets out our commitment to:

- Opposing slavery and human trafficking, with a commitment to doing what we can to combat such abuses in our business or in our supply chains.
- Acting ethically and with the highest standards of integrity, quality, probity, openness and accountability in all our business operations and relationships.
- Developing, implementing and enforcing processes and controls that seek to ensure slavery and human trafficking is not taking place within our business or in our supply chains.
- Not knowingly dealing with any business involved in slavery or human trafficking.

Our Statement is available at www.guinnesspartnership.com.

Risk management

The Group has an established and embedded risk management framework that is actively used throughout the business. The Risk and Risk Management Strategy is reviewed and updated annually in alignment with the TGPL Business Plan. The Strategy defines the Board's risk appetite and acceptance of risk.

The TGPL Board, Group Audit and Risk Committee and the Executive Team regularly review the key risks faced by the business.

A Group Risk Panel meets quarterly and this officer forum plays an active part in monitoring exposure to risk, and embedding a culture of risk awareness and risk management amongst staff. All Directorates and Subsidiaries within the Group have detailed Risk Plans in place which include strategies for managing and mitigating key business risks. Additionally, all major projects have a risk plan.

The Group considers the following to be the key risks facing the business:

Risk	Controls and mitigation
Economic uncertainty and volatility in the financial markets, particularly in light of the result of the referendum on leaving the European Union	<ul style="list-style-type: none"> • We set limits for and carefully monitor our exposure to the market in respect of all our services and products. We appraise all new developments against strict financial criteria and stress test their performance against a range of economic scenarios. We consider risk mitigation actions and exit strategies. • We have a Treasury Management Policy which is reviewed annually to ensure it remains relevant and good practice. We are rigorous in our cash flow forecasting and we maintain high levels of liquidity and have good levels of asset backing for existing and future borrowings.
Adverse changes in the policy environment	<ul style="list-style-type: none"> • The Board receives Horizon Scanning updates at each of its meetings to ensure that all business decisions are taken in context and that changes to the external environment are anticipated when taking these decisions. • The Financial Plan is rigorously stress tested to ensure the potential outcomes of policy changes and their impact on our business are understood.
Failure to deliver changes to our target operating model and associated efficiencies and service improvements	<ul style="list-style-type: none"> • We have a clear governance framework in place to ensure the rigour and pace of our change programmes. An established Programme Management Office oversees and co-ordinates the programmes and supports it with a clear methodology. External support and specialist skills are engaged as required to ensure we deliver the best solutions for the business. • There are clear delivery targets for each stage of the programme, and these are reflected in budgets, long term plans and individual performance goals. • A clear communications plan supports our change programmes.
Deterioration in customer satisfaction	<ul style="list-style-type: none"> • We are in the process of delivering a customer transformation programme which is already delivering results. • Our new customer experience strategy is being rolled out and during 2016/17 all staff completed customer service training. • Services are being redesigned from the customers' perspective. • Complaints and service failures are considered by the Executive Team and root cause analysis carried out and acted upon to improve services.
Inability to attract and retain required skills in staff employed by the Group	<ul style="list-style-type: none"> • We are refreshing our People Strategy to address the new challenges presented by changes both internally and in the external environment. • We have created new Organisation Design principles which are now being implemented to ensure coherent structures and improve opportunities for internal career progression. • We commission periodic salary reviews to ensure we maintain competitive pay to attract and retain staff with the right skills.

Report of the Board of The Guinness Partnership and Strategic Report...continued

Risk	Controls and mitigation
Loss of income as a result of rent reductions and changes to the welfare system, including the introduction of Universal Credit	<ul style="list-style-type: none"> We are working closely with our customers to ensure the impact of benefit changes is understood and we have increased our investment in tenancy sustainment activities, which include debt prevention activities. We actively encourage our customers to pay their rent by Direct Debit and have seen a growth in take up in 2016/17. We have also introduced software to help us understand payment patterns and predict arrears so that we can target these more effectively. We have agreed cost reduction targets to mitigate the impact of rent reductions. As part of an ongoing programme, we have already reduced our underlying operating costs through restructuring parts of our business while improving efficiency and designing services which improve the customer experience. This will continue to be a significant focus in 2017/18.
Major health and safety failure	<ul style="list-style-type: none"> We operate a recognised Health and Safety Management System which meets the requirements of OHSAS 18001. There is a comprehensive health & safety policy framework in place. We ensure adherence to this through a programme of inspections carried out by suitably qualified staff and supported by external expertise as necessary. Our staff undertake mandatory health & safety training relevant to their roles, the completion of which is carefully monitored, and it is repeated at appropriate frequencies. Our Staff Health & Safety Panel meets regularly to identify issues and drive improvements. We have regular communication and liaison with regulatory authorities, including London Fire Brigade to ensure we can anticipate and meet their requirements.
Financial pressures on our Care business	<ul style="list-style-type: none"> The Guinness Care & Support Financial Plan is rigorously stress tested to ensure the potential outcomes of policy changes and their impact on that part of our business are understood. We have been refocusing our Care strategy to focus on fewer business streams, and growing and delivering these more profitably. There is strong oversight and monitoring of the financial (and operational) performance of our Care activities by the GCS Board and the TGPL Board.

Our high level corporate risk map contains a further 22 risks. There are mitigating controls in place for all risks, together with actions to manage these risks.

The Group uses a 30 year financial model to analyse projections to ensure our long term financial sustainability. Guinness Care and Support Limited and Guinness Developments Limited consider their financial projections over a five year period as the nature of their businesses does not lend itself to longer range forecasting. Financial projections are stress tested to ensure we are able to withstand changes in the operating environment. This includes multi-variate testing to enable us to understand the potential impact of a range of economic scenarios, and we have established the corrective action we would need to take in the event that any of these began to crystallise.

Internal controls assurance

The Board has overall responsibility for establishing and maintaining the system of internal control and for reviewing its effectiveness. This applies in respect of all companies within the Group.

The system of internal control is designed to manage risk and to provide reasonable, but not absolute, assurance that key business objectives and expected outcomes will be achieved. It also exists to give reasonable assurance about the preparation and reliability of financial information and the safeguarding of the Group's assets and interests.

In meeting its responsibilities, the Board has adopted a risk-based approach to internal controls which is embedded within normal management and governance processes. This approach includes the regular evaluation of the nature and extent of risks to which the Group is exposed.

Key elements of our internal control framework include:

- Board meetings are held regularly and there is a defined schedule of matters reserved for decision by the Board.
- Adoption of the NHF Governance Code. This is supported by a framework of policies and procedures which employees and Board members must comply with. These cover areas such as delegated authority, segregation of duties, accounting, treasury management, health and safety, data and asset protection, money laundering, fraud prevention and detection and bribery.
- Internal audit assurance provided by an independent firm of professional advisors. Internal control and risk management frameworks are subject to regular review by Internal Audit which is responsible for providing independent assurance to the Board through the Group Audit and Risk Committee.
- Further independent assurance provided by the work of the external auditor, as set out in their audit report.
- Clear responsibilities for the identification, evaluation and control of risks. The Group Risk Panel, the Executive Team and the Group Audit and Risk Committee consider risks throughout the year. The Group Chief Executive and the Group Audit and Risk Committee are responsible for reporting any significant changes to the Group Board.
- Comprehensive anti-fraud policy and procedures are in place to prevent, detect and report on fraud and recover assets as appropriate. This is supported by a positive anti-fraud culture amongst staff, contractors and Board members. No fraud resulting in a material loss has occurred during the year.
- Rigorous procedures are in place to ensure that corrective action is taken in relation to any significant control issues.

- Financial reporting procedures include detailed budgets for the year ahead and forecasts for subsequent years. The Board regularly reviews key performance indicators to assess progress towards the achievement of key business objectives, targets and outcomes.

The Group Audit and Risk Committee reviews reports received from internal and external auditors. It makes regular reports to the Board on the extent to which internal controls continue to take account of the major risks facing the Group. The Group Audit and Risk Committee submits an annual report, summarising its work and conclusions, to the Board.

In reviewing the effectiveness of internal controls, the Board has access to a range of evidence that include independent sources, management assurances and outcomes from a range of risk management activities.

The Group Audit Committee and Board have received the Chief Executive's annual review of the effectiveness of the system of internal control for the Group.

The Board has reviewed the effectiveness of the system of internal control, including risk management, for the year to 31 March 2017, and up to the date of signing these financial statements. It has not identified any weaknesses sufficient to cause material misstatement or loss which require disclosure in the financial statements.

Diversity and inclusion

Our commitment to diversity and inclusion is fundamental to our effectiveness as a business. Our people bring a wide variety of skills and knowledge to the organisation. We recognise that having a diverse workforce that reflects the communities we operate in helps us to achieve our objectives.

Our principal aims are to ensure that:

- Services are designed to respond to the needs of our current and new customers, and delivered so as to promote a culture of mutual respect and understanding between customers, employees and partners.
- The Board and managers demonstrate effective leadership on diversity and inclusion.
- Guinness provides a working environment where employees succeed and feel valued.

Our objectives are integrated into our operating plans and progress is monitored annually by the Board.

Report of the Board of The Guinness Partnership and Strategic Report...continued

Health and safety

The Group recognises and accepts its legal and moral responsibilities, as defined by health and safety law and associated regulations, to ensure the health, safety and welfare of all of its employees, customers and other persons who may be affected by the way it carries out its activities.

Strong emphasis is placed on providing a safe and healthy working environment which includes training in safe working practices in accordance with the Group's health and safety policies. During 2016/17 we have maintained our strong focus on a comprehensive health and safety management system that ensures we comply with all legal and regulatory obligations; improves our policy and procedural framework; and continuously reinforces responsibilities among our employees and contractors.

Donations

We have made no political donations in the year (2016: £nil).

Statement of Board members' responsibilities

The Group Board, which is the Board of The Guinness Partnership Limited, is responsible for preparing the financial statements. The financial statements are prepared in accordance with UK Accounting Standards (UK Generally Accepted Accounting Practice) law, including Financial Reporting Standard 102, and applicable law.

In preparing these financial statements, the Board is required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable UK Accounting Standards 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 Group will continue in operation.

The Board is responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and to enable it to ensure that the financial statements comply with the Co-operative and Community Benefit Societies Act 2014 and the Statement of Recommended Practice: Accounting by Registered Housing Providers 2014, and comply with the Accounting Direction for Private Registered Providers of Social Housing in England (2015). The Board is also responsible for safeguarding the

assets of the Group and hence for taking reasonable steps for the detection of fraud and other irregularities.

The Board is responsible for the maintenance and integrity of the corporate and financial information included on the Group's website.

After making all reasonable enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason the Board continues to adopt the going concern basis in preparing the financial statements.

The Board confirms that to the best of its knowledge:

- The financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and surplus or deficit of the Group; and
- The Report of the Board includes a fair review of the development and performance of the Group and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

Disclosure of information to the auditor

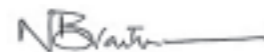
At the date of making this report, each of the Board members of The Guinness Partnership Limited, acting in their capacity as the Group Board, confirm that:

- So far as each Board member is aware, there is no relevant audit information needed by the Group's auditors in connection with preparing their report of which the Group's auditors are unaware; and
- Each Board member has taken all steps that he or she ought to have taken as a Board member in order to make himself or herself aware of any relevant information needed by the Group's auditors in connection with their report and to establish that the Group's auditors are aware of that information.

External auditor

Nexia Smith & Williamson are the appointed auditor for the Group. They have expressed their willingness to continue in office. Accordingly a resolution is to be proposed for the re-appointment of Nexia Smith & Williamson as auditor of the Group.

On behalf of the Board



Neil Braithwaite, Chair of The Guinness Partnership Limited
19 July 2017
Charitable Community Benefit Society No. 31693R
Homes and Communities Agency No. 4729

Independent Auditor's Report to the members of The Guinness Partnership Limited

We have audited the financial statements of The Guinness Partnership Limited (the Partnership) for the year ended 31 March 2017 which comprise the Consolidated and Partnership Statement of Comprehensive Income, the Consolidated and Partnership Statement of Financial Position, the Consolidated and Partnership Statement of Changes in Reserves, the Consolidated and Partnership Statement of Cash Flows and the related notes 1 to 35. 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Partnership's members, as a body, in accordance with the requirements of statute. Our audit work has been undertaken so that we might state to the Partnership'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 Partnership and the Partnership'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 26, the Board is responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and the Partnership's affairs as at 31 March 2017 and of the Group's and the Partnership's result for the year then ended; and
- have been properly prepared in accordance with the Co-operative and Community Benefit Societies Act 2014, the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Matters on which we are required to report by exception

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

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



Nexia Smith & Williamson
Statutory Auditor
Chartered Accountants
Date: 27 July 2017

25 Moorgate
London
EC2R 6AY

Financial Statements

for the year ended 31 March 2017

Group Statement of Comprehensive Income for the year ended 31 March 2017

	note	2017 £m	2016 £m
Turnover	3	430.1	426.1
Cost of sales	3	(73.9)	(72.6)
Operating expenditure	3	(225.9)	(229.3)
Operating surplus		130.3	124.2
Gain on disposal of property, plant and equipment	5	9.7	11.7
Interest receivable		0.4	1.0
Interest payable and financing costs	7	(58.5)	(59.1)
Movement in fair value of financial instruments		(0.3)	(0.2)
Movement in fair value of investment properties		-	0.1
Re-measurement of pension schemes	28	(1.3)	(15.5)
Gain on transfer of engagements	17	14.9	-
Surplus before taxation		95.2	62.2
Taxation	9	(0.8)	-
Surplus for the year		94.4	62.2
Other comprehensive income			
Actuarial gain/(loss) in respect of pension schemes	28	0.2	1.0
Change in fair value of hedged financial instrument		(1.5)	(2.1)
Total comprehensive income for the year		93.1	61.1

All amounts relate to continuing activities. The notes on pages 34 to 70 form part of these financial statements.

The Guinness Partnership Limited Statement of Comprehensive Income for the year ended 31 March 2017

	note	2017 £m	2016 £m
Turnover	3	354.4	338.7
Cost of sales	3	(16.2)	(16.0)
Operating expenditure	3	(206.1)	(205.8)
Operating surplus		132.1	116.9
Gain on disposal of property, plant and equipment	5	9.4	11.4
Interest receivable		0.6	1.1
Interest payable and financing costs	7	(58.2)	(55.5)
Movement in fair value of financial instruments		(0.3)	(0.2)
Movement in fair value of investment properties		-	0.1
Re-measurement of pension schemes	28	(1.3)	(14.6)
Gain on transfer of engagements	17	14.4	-
Surplus before taxation		96.7	59.2
Taxation	9	(0.8)	-
Surplus for the year		95.9	59.2
Other comprehensive income			
Actuarial gain/(loss) in respect of pension schemes	28	0.2	1.0
Change in fair value of hedged financial instrument		(1.5)	(2.1)
Total comprehensive income for the year		94.6	58.1

All amounts relate to continuing activities. The notes on pages 34 to 70 form part of these financial statements.

Financial Statements

for the year ended 31 March 2017...continued

Group Statement of Financial Position at 31 March 2017

	note	2017 £m	2017 £m	2016 £m	2016 £m
Fixed assets					
Intangible assets and goodwill	13		-		-
Tangible fixed assets:					
Housing properties	10	3,045.8		2,792.5	
Other fixed assets	12	39.5		36.7	
			3,085.3		2,829.2
Investment properties	14		2.1		2.1
Fixed asset investments	15		60.1		44.1
			3,147.5		2,875.4
Current assets					
Stock	18	28.5		70.2	
Trade and other debtors	19	31.4		19.8	
Cash and cash equivalents		73.9		41.1	
			133.8		131.1
Creditors: amounts falling due within one year	20	(127.1)		(122.2)	
Net current assets			6.7		8.9
Total assets less current liabilities			3,154.2		2,884.3
Creditors: amounts falling due after one year	21	(2,435.2)		(2,254.8)	
Provisions for liabilities:					
Pension provision	26	(6.3)		(7.0)	
Other provisions	27	(49.2)		(52.1)	
			(55.5)		(59.1)
Total net assets			663.5		570.4
Reserves					
Income and expenditure reserve			663.3		570.2
Restricted reserves			0.2		0.2
Total reserves			663.5		570.4

The notes on pages 34 to 70 form part of these financial statements.

These financial statements were approved by the Board on 19 July 2017 and signed on its behalf by:

Board Member

Board Member

Secretary

The Guinness Partnership Limited Statement of Financial Position at 31 March 2017

	note	2017 £m	2017 £m	2016 £m	2016 £m
Fixed assets					
Intangible assets and goodwill	13		-		-
Tangible fixed assets:					
Housing properties	11	2,950.4		2,696.3	
Other fixed assets	12	37.2		34.8	
			2,987.6		2,731.1
Investment properties	14		2.1		2.1
Fixed asset investments	15		60.0		44.0
Investment in subsidiaries	16		46.1		44.1
			3,095.8		2,821.3
Current assets					
Stock	18	8.1		5.2	
Trade and other debtors	19	63.1		66.9	
Cash and cash equivalents		32.0		27.0	
			103.2		99.1
Creditors: amounts falling due within one year	20	(112.6)		(107.1)	
Net current (liabilities)/assets			(9.4)		(8.0)
Total assets less current liabilities			3,086.4		2,813.3
Creditors: amounts falling due after one year	21	(2,396.5)		(2,215.2)	
Provisions for liabilities:					
Pension provision	26	(6.3)		(6.4)	
Other provisions	27	(45.1)		(47.8)	
			(51.4)		(54.2)
Total net assets			638.5		543.9
Reserves					
Income and expenditure reserve			638.3		543.7
Restricted reserves			0.2		0.2
Total reserves			638.5		543.9

The notes on pages 34 to 70 form part of these financial statements.

These financial statements were approved by the Board on 19 July 2017 and signed on its behalf by:

Board Member

Board Member

Secretary

Financial Statements

for the year ended 31 March 2017...continued

Group Statement of Changes in Reserves for the year ended 31 March 2017

	Income and expenditure reserve £m	Restricted reserves £m	Total £m
At 1 April 2015 (restated)	509.1	0.2	509.3
Total comprehensive income for the year	61.1	-	61.1
Transfer between reserves	-	-	-
At 31 March 2016	570.2	0.2	570.4
At 1 April 2016	570.2	0.2	570.4
Total comprehensive income for the year	93.1	-	93.1
Transfer between reserves	-	-	-
At 31 March 2017	663.3	0.2	663.5

The notes on pages 34 to 70 form part of these financial statements.

The Guinness Partnership Limited Statement of Changes in Reserves for the year ended 31 March 2017

	Income and expenditure reserve £m	Restricted reserves £m	Total £m
At 1 April 2015 (restated)	485.6	0.2	485.8
Total comprehensive income for the year	58.1	-	58.1
Transfer between reserves	-	-	-
At 31 March 2016	543.7	0.2	543.9
At 1 April 2016	543.7	0.2	543.9
Total comprehensive income for the year	94.6	-	94.6
Transfer between reserves	-	-	-
At 31 March 2017	638.3	0.2	638.5

The notes on pages 34 to 70 form part of these financial statements.

Group and The Guinness Partnership Limited Statement of Cashflows for the year ended 31 March 2017

	note	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Net cash inflow from operating activities	29	192.1	165.9	146.6	140.0
Cashflow from investing activities					
Acquisition and construction of housing property		(69.1)	(68.3)	(126.0)	(96.2)
Purchase of other fixed assets		(5.9)	(5.2)	(4.4)	(3.9)
Receipt of government grants		1.6	1.5	5.0	5.0
Receipts from the sale of fixed assets		25.8	24.8	24.6	24.3
Homebuy and equity loans redeemed		-	-	1.9	1.9
Investment in subsidiaries		-	(2.0)	-	(27.0)
Cash acquired on transfer of engagements		7.1	6.6	-	-
Tax paid or refunded		-	-	-	-
Payment to Debt Service Reserve		(12.0)	(12.0)	(9.6)	(9.6)
Other investments		(4.0)	(4.0)	-	-
Interest received		0.4	0.6	1.0	1.1
		(56.1)	(58.0)	(107.5)	(104.4)
Cashflows from financing activities					
Interest paid		(59.8)	(59.6)	(56.1)	(55.3)
New loans		8.6	8.6	25.0	25.0
Repayment of loans		(54.2)	(54.0)	(26.0)	(11.3)
Loan breakage costs		-	-	(2.6)	-
		(105.4)	(105.0)	(59.7)	(41.6)
Net change in cash and cash equivalents		30.6	2.9	(20.6)	(6.0)
Cash and cash equivalents at beginning of the year		41.1	27.0	61.7	33.0
Cash and cash equivalents at end of the year		71.7	29.9	41.1	27.0

The notes on pages 34 to 70 form part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2017

1 Company information

The Guinness Partnership Limited (TGPL) is incorporated in England under the Co-operative and Community Benefit Societies Act 2014 (No 31693R). TGPL is an exempt charity and is registered with the Homes and Communities Agency as a Private Registered Provider of Social Housing. The registered office is 30 Brock Street, Regent's Place, London NW1 3FG.

2 Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom 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: Accounting by Registered Housing Providers 2014 (SORP 2014), the Housing and Regeneration Act 2008, the Accounting Direction for Private Registered Providers of Social Housing 2015 (the Direction) and the Co-operative and Community Benefit Societies Act 2014. The Group is required under the Co-operative and Community Benefit Societies (Group Accounts) Regulations 1969 to prepare consolidated Group accounts. TGPL is a public benefit entity for the purpose of FRS 102 and the financial statements have been prepared on that basis.

Basis of preparation

The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for investment properties and certain financial instruments as specified in the accounting policies as set out below. The financial statements are presented in Sterling (£m).

The principal accounting policies are set out below. These accounting policies have been consistently applied during the current and preceding period unless otherwise stated.

Parent Company disclosure exemptions

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

- Disclosures in respect of the parent company's financial instruments have not been presented as equivalent disclosures have been provided in respect of the Group as a whole, and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the parent company as their remuneration is included in the totals for the Group as a whole.

Change of accounting policy

During the year, TGPL changed its accounting policy with respect to the receipt of gift aid from subsidiary companies. TGPL now recognises the gift aid received within Other Income in Turnover. Prior to this, TGPL recognised gift aid received after operating surplus. The change has been made to better reflect the nature of the income received.

The impact of this change has been to increase operating surplus in the prior year TGPL financial statements by £15.6m. There is no impact on reserves.

Basis of consolidation

The consolidated financial statements incorporate the results of The Guinness Partnership Limited and all of its subsidiary undertakings as at 31 March 2017. The Group has disclosed the balances and nature of transactions with entities that form part of the Group as required by the Direction. All intra-group transactions, balances and income are eliminated on consolidation.

Business combinations

When a new entity joins the Group, if the business combination meets the definition of a merger under 19.6 of FRS 102, the entity has been consolidated using the merger method of accounting. Accordingly

the results, Statements of Financial Position and Cashflows of the combining entities are brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred.

If the business combination does not meet the criteria for merger accounting under 19.6 of FRS 102, then the entity is consolidated using acquisition accounting rules. This requires the new entity's assets and liabilities to be initially recognised at fair value. Goodwill is calculated as the difference between the fair value of consideration and the fair value of net assets acquired. Positive goodwill is amortised evenly over the Directors' estimate of its useful economic life. The Directors consider whether an impairment has taken place at the date of each Statement of Financial Position by reference to the income streams being generated. Impairment losses are recognised in the Statement of Comprehensive Income.

Where there is a business combination that is in substance a gift, any excess of fair value over the assets received over the fair value of the liabilities assumed is recognised as a gain in the Statement of Comprehensive Income. This gain represents the gift of the value of one entity to another and shall be recognised as income. Where the fair value of the liabilities exceeds the fair value of the assets, the loss represents net obligations assumed and shall be recognised as an expense.

Going concern

The Group's financial statements have been prepared on a going concern basis which assumes an ability to continue operating for the foreseeable future. Government's announcements in July 2015 impacting on the future income of the Group have led to a reassessment of the Group's business plan as well as an assessment of potential future breaches of borrowing covenants. No concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

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 date of the Statement of Financial Position and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from those estimates. The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

- Capitalisation of development expenditure.** The Group capitalises development expenditure in accordance with the accounting policy on housing property fixed assets. The capitalisation requires a range of judgements, such as setting the period over which interest can be capitalised, calculating the amount of staff time and overheads which should be capitalised and establishing when a scheme is likely to go ahead, allowing capitalisation of associated development costs, or when it is abortive and costs should be written off.
- Identification of housing property components.** Housing property depreciation is calculated on a component by component basis. The identification of such components is a matter of judgement and may have a material impact on the depreciation charge. The components selected are those which reflect how the major repairs to the property are managed.
- Categorisation of housing properties as investment properties or property, plant and equipment.** Classes of properties within the category of housing properties that are held to earn commercial rentals or for capital appreciation or both are accounted for as investment properties. Properties rented to provide social housing and properties used for the production or supply of goods and services or for administrative purposes are classified as property, plant and equipment.

Other key sources of estimation and assumptions:

- Acquisition.** On 1 February 2017 the activities of Wulvern Housing Limited (Wulvern) were transferred to TGPL through a transfer of engagements. There was no consideration and, due to the relative size of the organisations, it has been accounted for using the acquisition method of accounting. The assets and liabilities of Wulvern on the date of transfer have been brought into TGPL at fair value and the net gain taken to the Statement of Comprehensive Income. The housing properties, loans and pension asset were independently valued, but still required judgement in relation to the assumptions used. Other assets and liabilities were included at book values, as the most appropriate measure of fair value, and were independently audited. The Board took the view that the grant creditor should be retained and accounted for under accruals accounting as the fair value was a cost to TGPL not a revaluation.
- Tangible fixed assets.** Other than investment properties, fixed assets are depreciated over their useful economic lives taking into account residual values, where appropriate. The Group uses a range of useful lives for assets and components forming parts of assets as disclosed in the accounting policies. Management reviews the estimate of the useful lives at each reporting date to ensure that they remain appropriate.
- 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.

- Bad debt provision.** The debtors balance in the Group accounts consists of a large number of small debts. Management review the level of the provision made against non-payment of these debts on a regular basis to take account of past and current patterns of payment to ensure that the overall provision is adequate.

- Housing property impairment.** The Group carries out impairment assessments and reviews as set out in the accounting policy below. In carrying out this process, management exercise judgement in determining if an indicator of impairment exists and in assessing the net book value of each scheme against net realisable value and value in use.
- Assets held for sale.** The Group has a stock balance that includes properties for sale under both market and shared ownership programmes as well as work in progress for schemes producing homes for sale. The value of each asset is reviewed against its net realisable value and each scheme in progress against expected proceeds less costs yet to be incurred and assets are written down if the cost at which they are recorded in the accounts is higher.

Turnover

Turnover represents rental and service charge income receivable from properties owned, fees and contract income, donations receivable and revenue grants from public bodies which are credited to the Statement of Comprehensive Income in the same period as the expenditure to which they relate. Turnover also includes proceeds from properties developed for outright sale and first tranche sale. The related portion of the shared ownership asset is recognised as cost of sales. Any surpluses recognised in the Statement of Comprehensive Income are restricted by the extent to which they subsidise the social rented portion of a scheme.

Amounts for amortised government grants which have been released to the Statement of Comprehensive Income under the accruals model are also included in turnover.

Sale of tangible fixed assets

Sales of tangible fixed assets, including second and subsequent tranches of shared ownership properties are dealt with in the Statement of Comprehensive Income and separately disclosed after the operating surplus for the year.

Notes to the Financial Statements for the year ended 31 March 2017...continued

Taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

Value Added Tax (VAT)

The majority of the Group's income, being rents, is exempt for VAT purposes and this gives rise to a partial exemption calculation for VAT recovery. All amounts disclosed in the accounts are inclusive of VAT to the extent that it is suffered by the Group and not recoverable.

Housing properties fixed assets and depreciation

Tangible fixed assets are stated at cost, less accumulated depreciation and any impairment. Cost comprises purchase price and building costs together with directly attributable, incidental and administrative costs in bringing them into working condition for their intended use.

Interest on borrowings used to finance housing developments and regeneration projects is capitalised only when development activity is in progress and up to the date of practical completion or the end of the regeneration period.

Costs of replacing major components are capitalised and depreciated over their estimated useful economic lives. The net book value of components replaced is written off and disclosed as depreciation in the year of replacement.

Housing properties under construction are stated at cost and not depreciated. These are reclassified as housing properties on practical completion of construction.

Depreciation is charged so as to write down the cost of freehold housing

properties, other than freehold land, to their estimated residual value on a straight line basis over their expected useful economic lives.

Housing properties are split between land, structure and major components which require periodic replacement. Freehold land is not depreciated.

The Group depreciates freehold housing properties by component on a straight line basis as follows:

Component	Useful economic life
Pitched roofs	60 years
Flat roofs	25 years
External doors	25 years
Windows	30 years
Electrical installation	30 years
General heating (excluding boilers)	30 years
Boilers	15 years
Lifts	25 years
Kitchens	20 years
Bathrooms	30 years
Residual structure (building)	100 years

The Group depreciates housing properties held on long leases over the shorter of the lease term or the useful economic life of the relevant component category.

Impairment of housing properties and land held for future development

Impairment reviews are carried out for completed properties and properties under construction where there are indicators of impairment. Impairments arising from a major reduction in service potential are charged to the income and expenditure account to the extent that the carrying value exceeds the recoverable amount. The recoverable amount is the higher of its net realisable value and value in use. Value in use is the present

value of future cash flows obtainable as a result of the continued use of the property. Properties are grouped together into schemes, which are considered to be the cash generating units as defined by the SORP. At the date of each Statement of Financial Position, schemes are assessed to determine if there are indicators of impairment for each scheme. If such indicators exist, an impairment review is carried out for that scheme. If the review identifies an impairment is needed, it is recognised immediately in the Statement of Comprehensive Income.

Impairment reviews for land held for future development take into account existing plans for developing the land (holdings for social housing and shared ownership). Where there is agreement with the Homes and Communities Agency for a development and the scheme meets our internal criteria for approval, no impairment is made. However, if there is a high level of uncertainty over the use of the land or where internal criteria are not met then impairment would be recognised. Impairment would be recognised to the extent that market valuations are lower than the carrying value of the asset.

Property managed by others

The Group has a number of agreements with third parties to manage schemes on its behalf. Where a transfer of the risks and benefits attached to schemes has taken place, the transactions managed by the agents are not included in these financial statements.

Property managed for others

The Group manages some schemes on behalf of third parties. Where a transfer of the risks and benefits attached to schemes has taken place, the transactions managed by the Group are included in these financial statements.

Other tangible fixed assets

Other tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged on a straight line basis from the date the asset is put into use over the expected useful economic lives of the assets at the following annual rates:

Freehold office premises	1% to 2%
Leasehold office premises	Over the period of the lease
Plant, machinery fixture and fittings	5% to 33%

Improvements to office premises are capitalised where the expenditure provides an enhancement of economic benefits in excess of the previously assessed standard of performance.

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

Leasing and hire purchase

Where assets are financed by hire purchase contracts and leasing agreements that give rights approximating to ownership (finance leases), they are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as obligations to the lessor in creditors. They are depreciated over the shorter of the lease term and their economic useful lives.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the Statement of Comprehensive Income over the term of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Other leases are treated as operating leases and payments are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

Investment property

Investment property includes commercial and other properties not used directly in furtherance of the Group's social purpose. Investment property is measured at cost on initial recognition, which includes purchase cost and any directly attributable expenditure, and subsequently at fair value at the reporting date. Fair value is initially determined by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. Fair values are determined on an annual basis, determined by external valuers at least once every three years.

Social housing and other government grants

Where developments have been financed wholly or partially by social housing and other grants (SHG), the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful economic life of the associated asset structure in accordance with the accruals model.

Homebuy and equity loans

These represent loans to home buyers of a percentage of the cost which is secured on the property. The loans are interest free and repayable only on the sale of the property. On a sale, the fixed percentage of the proceeds is repaid. The loans are financed by an equal amount of SHG. On redemption:

- The SHG is recycled.
- The SHG is written off, if a loss occurs.
- The Group keeps any surplus.

Homebuy loans are treated as concessionary loans and are initially recognised at the amount paid to the purchaser and reviewed annually for impairment. The associated Homebuy grant from the HCA is recognised as deferred income until the loan is redeemed.

Stock and properties for sale

Properties developed for outright sale are included in current assets, at the lower of cost or estimated selling price less costs to complete and sell. Properties held for sale are assessed for impairment at each reporting date. If there is evidence of impairment, the impairment loss is recognised immediately in the Statement of Comprehensive Income.

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 Statement of Comprehensive Income in other operating expenses. The Group provides for bad and doubtful debts relating to rents and service charges receivable at the following rates:

Former tenant arrears	100%
Current tenant arrears	20% to 100%

The Group provides against other debtors based on an assessment of likely recovery.

Non-government grants

Grants received from non-government sources are recognised under the performance model. If there are no specific performance requirements the grants are recognised when received or receivable. Where grant is received with specific performance requirements it is recognised as a liability until the conditions are met and then it is recognised as turnover.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the date of the Statement of Financial Position and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at that date.

Notes to the Financial Statements for the year ended 31 March 2017...continued

Loan interest costs

Loan interest costs are calculated using the effective interest method of the difference between the loan amount at initial recognition and the amount at maturity of the related loan.

Loan issue costs, premium and discounts

Loan finance costs are amortised over the life of the related loan. Loans are stated in the Statement of Financial Position at the amount of the net proceeds after issue and included in creditors greater than one year. Where loans are redeemed during the year, any redemption penalty and any connected loan finance issue costs are recognised in the Statement of Comprehensive Income in the year in which the redemption took place.

Premiums or discounts arising on financial instruments are similarly included in creditors greater than one year and subsequently amortised over the life of the instrument.

Financial instruments

The Group has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU), the disclosure requirements of Sections 11 and 12 and the presentation requirements, as appropriate, of 11.38A or 12.25B as permitted by paragraphs 11.2(b) and 12.2(b) of FRS 102 in relation to recognising, derecognising, measuring and disclosing financial instruments.

Where the Group has entered into a hedging relationship as described in IAS 39 in the period between the date of transition and the reporting date for the first financial statements that comply with FRS 102, it has elected to apply hedge accounting from the date all qualifying conditions for hedge accounting in IAS 39 are met.

Measurement

Initially, financial assets and liabilities are measured at fair value (including

transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Subsequently, financial assets and liabilities (including derivatives) are measured at fair value, with the following exceptions:

- Loans and receivables, held-to-maturity investments, and non-derivative financial liabilities which are measured at amortised cost using the effective interest method.
- Financial assets and liabilities that are designated as a hedged item or hedging instrument are subject to measurement under the hedge accounting requirements of the IAS 39.

Fair value is determined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. To calculate fair value, the Group uses:

- Where they exist, quoted market prices in an active market to measure the financial instrument.
- If a market for a financial instrument is not active, the Group will value it using available sources including recent arm's length market transactions, reference to current fair value of another similar instrument, discounted cashflow analysis, and option pricing models. The valuation incorporates these factors providing market participants would consider using in setting a price and they are consistent with accepted economic methodologies for pricing financial instruments.

Amortised cost is calculated using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability.

Hedging

Interest rate swaps relate to fixing variable rate interest and are therefore designated as cashflow hedges. A hedging instrument is classified as an instrument whose fair value or cashflows are expected to offset

changes in the fair value or cashflows of a designated hedged item.

They are measured at fair value at each reporting date.

Gains and losses on cashflow hedges which are highly effective are recognised in other comprehensive income. Any ineffective portion of a gain or loss on cashflow hedges is recognised in the Statement of Comprehensive Income crediting/debiting the surplus for the year. In order to apply hedge accounting, an economic relationship must exist between the hedged item and the hedging instrument.

- The Group must formally designate and document the hedging relationship at inception so that the risk being hedged, the hedged item and the hedging instrument are clearly identified, and the risk management objective for undertaking the hedge.
- It is also required to determine and document the causes of hedge ineffectiveness.
- The hedge is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk, consistently with the originally documented risk management strategy for that particular hedging relationship, and effectiveness can be reliably measured.

The hedge is assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedge was designated. Under IAS 39 for financial instruments: recognition and measurement, it is necessary to comply with the criteria of 80% to 125% for hedge effectiveness. In a cashflow hedge, if the hedged future cashflows are no longer expected to occur, the amount that has been accumulated in the cashflow hedge reserve is reclassified from the cashflow hedge reserve to profit or loss immediately.

Where the Group hedges its exposure to variability in cashflows that (i) is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable

rate debt) or a highly probable forecast transaction and (ii) could affect profit or loss, the hedging relationship is designated of a cashflow hedge.

A cashflow hedge is accounted for as follows:

- the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge shall be recognised in other comprehensive income and accumulated in the cashflow hedge reserve; and
- the ineffective portion of the gain or loss on the hedging instrument (including ineffectiveness within the 80% to 125% window) shall be recognised in profit or loss and disclosed separately in interest payable and similar charges. Ineffectiveness in this context represents over-effectiveness when the cumulative change in the fair value of the hedging instrument is higher than the cumulative change in the hedged item.

If the Group closes out early a cashflow hedge that has a designated hedging relationship, the cumulative gains and losses recognised in other comprehensive income are frozen and reclassified from the cashflow hedge reserve to revenue reserve using the effective interest method.

Accounting for financial instruments

Some contracts that themselves are not financial instruments may nonetheless have financial instruments embedded in them. An embedded derivative is a feature within a contract, such that the cash flows associated with that feature behave in a similar fashion to a stand-alone derivative.

The Group will separate an embedded derivative from its host contract when:

- the economic risks and characteristics of the embedded derivative are not closely related to those of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- the entire instrument is not measured at fair value with changes in fair value recognised in the profit and loss statement.

If an embedded derivative is separated, the host contract is accounted for at amortised cost using the effective rate method and the fair value of the embedded derivative is recognised in profit and loss and disclosed separately in interest payable and similar charges. If the Group is unable to measure the embedded derivative separately, the entire combined contract will be designated at fair value through profit or loss.

Where an embedded derivative is closely related to the host contract, the entire contract is accounted for at amortised cost using the effective rate method.

Financial assets and liabilities

The Group classifies its financial assets into one of the following categories depending on the purpose for which the asset was acquired.

Fair value through profit and loss

Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit and loss.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are initially recognised at fair value plus directly attributable transaction costs at acquisition/issue, and are subsequently carried at amortised cost using the effective interest rate method. Provisions are recognised when there is objective evidence (such as significant financial difficulties for the counterparty, default or significant delay in payment) that the Group will be unable to collect all of the amounts due. The amount of such a provision is disclosed as the difference between the net carrying amount and the present value of the future expected cash flows associated with the receivable item.

Impairment of financial assets

Financial assets are assessed at each reporting date to determine whether there is any objective evidence that a financial asset or group of financial assets is impaired. If there is objective evidence of impairment, an impairment loss is

recognised in the Statement of Comprehensive Income immediately.

Pension costs

The Group participates in both defined benefit and defined contribution pension schemes. Contributions to defined contribution schemes are accounted for as an expense as they fall due.

The Group is a member of SHPS, a multi-employer defined benefit pension scheme, where it is unable to identify its share of the underlying assets and liabilities on a consistent and reasonable basis, and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result the amounts charged to operating expenditure represent the contributions payable to the scheme.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Group's financial statements. These are the known repayments, discounted to the net present value at the year end using a market rate discount factor as disclosed in the notes. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

For other defined benefit schemes, the net liability (or asset) is calculated by estimating the amount of future benefit that employees have earned to date, discounted to present value, and deducting the fair value of the scheme's assets.

Changes in this net defined benefit liability arising from employee service, introductions, benefit changes, curtailments and settlements during the period are recognised in the Statement of Comprehensive Income so that they are charged/credited to the surplus for the year. The net interest expense (or income) on the net liability (or asset) for the period is recognised as other finance cost (or income).

Re-measurement of the net liability (or asset) is recognised as actuarial gains/losses in Other Comprehensive Income.

Notes to the Financial Statements

for the year ended 31 March 2017...continued

3 Particulars of turnover, cost of sales, operating expenditure and operating surplus/(deficit)

	Group 2017			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£m	£m	£m	£m
Social housing lettings	314.8	-	(198.8)	116.0
Other social housing activities:				
First tranche property sales	8.4	(6.4)	-	2.0
Charges for support services	0.6	-	(0.2)	0.4
Development costs not capitalised	-	-	(0.9)	(0.9)
Care and support services	7.8	-	(10.1)	(2.3)
Other	6.4	-	(10.5)	(4.1)
Total other social housing activities	23.2	(6.4)	(21.7)	(4.9)
Non-social housing activities:				
Market sales	87.5	(63.8)	(1.0)	22.7
Other	4.6	(3.7)	(4.4)	(3.5)
Total	430.1	(73.9)	(225.9)	130.3

	Group 2016			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£m	£m	£m	£m
Social housing lettings	305.6	-	(207.0)	98.6
Other social housing activities:				
First tranche property sales	20.3	(14.2)	-	6.1
Charges for support services	0.7	-	(0.8)	(0.1)
Development costs not capitalised	-	-	(1.1)	(1.1)
Care and support services	11.5	(3.6)	(10.0)	(2.1)
Other	3.6	(0.2)	(9.0)	(5.6)
Total other social housing activities	36.1	(18.0)	(20.9)	(2.8)
Non-social housing activities:				
Market sales	82.9	(54.6)	(0.4)	27.9
Other	1.5	-	(1.0)	0.5
Total	426.1	(72.6)	(229.3)	124.2

3 Particulars of turnover, cost of sales, operating expenditure and operating surplus/(deficit)...continued

	TGPL 2017			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£m	£m	£m	£m
Social housing lettings	303.5	-	(192.0)	111.5
Other social housing activities:				
First tranche property sales	8.4	(6.4)	-	2.0
Charges for support services	0.5	-	-	0.5
Development costs not capitalised	-	-	(0.9)	(0.9)
Other	8.9	-	(13.2)	(4.3)
Total other social housing activities	17.8	(6.4)	(14.1)	(2.7)
Non-social housing activities:				
Market sales	13.8	(8.7)	-	5.1
Gift aid	19.0	-	-	19.0
Other	0.3	(1.1)	-	(0.8)
Total	354.4	(16.2)	(206.1)	132.1

	TGPL 2016			
	Turnover	Cost of sales	Operating expenditure	Operating surplus/(deficit)
	£m	£m	£m	£m
Social housing lettings	295.0	-	(191.7)	103.3
Other social housing activities:				
First tranche property sales	20.3	(14.2)	-	6.1
Charges for support services	0.4	-	(0.5)	(0.1)
Development costs not capitalised	-	-	(1.1)	(1.1)
Other	5.6	(0.4)	(12.3)	(7.1)
Total other social housing activities	26.3	(14.6)	(13.9)	(2.2)
Non-social housing activities:				
Market sales	0.3	(0.3)	-	-
Gift aid	15.6	-	-	15.6
Other	1.5	(1.1)	(0.2)	0.2
Total	338.7	(16.0)	(205.8)	116.9

Notes to the Financial Statements

for the year ended 31 March 2017...continued

4 Particulars of turnover and operating expenditure from social housing lettings

	Group				Total 2017	Total 2016
	General needs	Supported/ housing for older people	Care homes	Shared ownership		
	£m	£m	£m	£m		
Income from social housing lettings						
Rent receivable net of identifiable service charges and voids	225.3	32.6	5.6	15.9	279.4	271.7
Service charges receivable	11.0	8.1	0.1	1.9	21.1	20.5
Net rents receivable	236.3	40.7	5.7	17.8	300.5	292.2
Amortisation of government grants	10.5	2.2	0.1	1.5	14.3	13.4
Turnover from social housing lettings	246.8	42.9	5.8	19.3	314.8	305.6
Expenditure on social housing letting activities						
Services	(15.0)	(3.8)	(4.9)	(0.7)	(24.4)	(26.9)
Management	(58.0)	(12.9)	(2.0)	(3.4)	(76.3)	(75.1)
Planned repairs	(10.6)	(2.0)	(0.1)	(0.5)	(13.2)	(11.6)
Routine repairs and maintenance	(23.6)	(5.0)	(0.1)	(1.2)	(29.9)	(35.2)
Major repairs expenditure	(9.0)	(1.7)	-	(0.4)	(11.1)	(8.5)
Rent losses from bad debts	(1.9)	(0.4)	-	(0.1)	(2.4)	(2.9)
Depreciation of housing properties	(32.1)	(6.7)	(0.1)	(4.6)	(43.5)	(44.2)
Impairment of housing properties	2.7	-	(0.7)	-	2.0	(2.6)
Operating expenditure on social housing letting activities	(147.5)	(32.5)	(7.9)	(10.9)	(198.8)	(207.0)
Operating surplus/(deficit) on social housing lettings	99.3	10.4	(2.1)	8.4	116.0	98.6
Rent losses from voids (included in rent receivable above)	1.4	0.4	0.6	0.4	2.8	2.9

4 Particulars of turnover and operating expenditure from social housing lettings...continued

	TGPL				Total 2017	Total 2016
	General needs	Supported/ housing for older people	Care homes	Shared ownership		
	£m	£m	£m	£m		
Income from social housing lettings						
Rent receivable net of identifiable service charges and voids	224.0	28.3	1.9	15.8	270.0	262.9
Service charges receivable	10.9	6.8	-	1.9	19.6	18.7
Net rent receivable	234.9	35.1	1.9	17.7	289.6	281.6
Amortisation of government grants	10.5	1.9	-	1.5	13.9	13.4
Turnover from social housing lettings	245.4	37.0	1.9	19.2	303.5	295.0
Expenditure on social housing letting activities						
Services	(14.9)	(1.9)	-	(0.7)	(17.5)	(18.9)
Management	(61.2)	(12.5)	(1.8)	(3.4)	(78.9)	(73.6)
Planned repairs	(10.6)	(1.9)	-	(0.5)	(13.0)	(11.1)
Routine repairs and maintenance	(23.4)	(4.3)	-	(1.2)	(28.9)	(34.2)
Major repairs expenditure	(9.0)	(1.6)	-	(0.4)	(11.0)	(8.1)
Rent losses from bad debts	(1.8)	(0.3)	-	(0.1)	(2.2)	(2.9)
Depreciation of housing properties	(31.8)	(5.8)	-	(4.6)	(42.2)	(42.9)
Impairment of housing properties	2.7	-	(1.0)	-	1.7	-
Operating expenditure on social housing letting activities	(150.0)	(28.3)	(2.8)	(10.9)	(192.0)	(191.7)
Operating surplus on social housing lettings	95.4	8.7	(0.9)	8.3	111.5	103.3
Rent losses from voids (included in rent receivable above)	1.4	0.4	-	0.4	2.2	2.5

Notes to the Financial Statements

for the year ended 31 March 2017...continued

4 Particulars of turnover and operating expenditure from social housing lettings...continued

The number of units of accommodation owned and/or managed at the end of the year were:

	Group		TGPL	
	Total 2017 Number	Total 2016 Number	Total 2017 Number	Total 2016 Number
Housing accommodation:				
General needs housing at social rent	41,007	38,138	41,007	38,138
General needs housing at affordable rent	6,010	4,051	6,010	4,051
Supported housing and housing for older people	8,547	7,740	8,517	7,719
Other housing properties:				
Low Cost Home Ownership	6,363	6,344	6,363	6,344
Care homes	220	262	57	58
Social leasehold	3,600	3,383	3,600	3,383
Other	937	753	326	264
	66,684	60,671	65,880	59,957
Being:				
Owned and managed	64,137	58,321	62,464	56,640
Owned but managed by others	1,321	1,274	1,307	1,240
Managed only	1,226	1,076	2,109	2,077
	66,684	60,671	65,880	59,957

5 Gain on disposal of property, plant and equipment

	Right to Buy/ Acquire £m	Second & subsequent staircasing £m	Disposal of surplus properties £m	Other fixed assets £m	Group Total 2017 £m	Group Total 2016 £m
Group						
Proceeds	2.1	13.5	4.8	5.4	25.8	25.1
Disposals at cost	(1.3)	(6.4)	(4.2)	(4.0)	(15.9)	(16.8)
Cost of sales	(0.2)	(0.5)	(0.4)	-	(1.1)	(0.5)
Depreciation on disposals	-	-	0.7	0.2	0.9	3.9
Surplus on disposal of tangible fixed assets	0.6	6.6	0.9	1.6	9.7	11.7
TGPL						
Proceeds	2.1	13.4	3.9	5.4	24.8	24.8
Disposals at cost	(1.3)	(6.4)	(3.2)	(3.9)	(14.8)	(16.8)
Cost of sales	(0.2)	(0.5)	(0.3)	-	(1.0)	(0.5)
Depreciation on disposals	-	-	0.2	0.2	0.4	3.9
Surplus on disposal of tangible fixed assets	0.6	6.5	0.6	1.7	9.4	11.4

6 Key management personnel and employee information

The Directors are defined as the members of the Board and the Executive Team. Board members received payments of £108,067 in their capacity as members of The Guinness Partnership Limited Board (2016: £104,172). No members have been paid in their capacity as members of other Boards of the Group (2016: nil).

There was an average of 8 members of the Executive Team during the year (2016: 9).

Group and TGPL	2017 £'000	2016 £'000
Aggregate emoluments payable to the Executive Team, excluding non-executive directors:		
Emoluments	1,318	1,437
Benefits in kind	4	9
Pension contributions	59	65
	1,381	1,511
Aggregate emoluments payable to Board and Executive Team, including non-executive directors:		
Emoluments	1,426	1,541
Benefits in kind	4	9
Pension contributions	59	65
	1,489	1,615
Expenses reimbursed to directors not chargeable to United Kingdom Income Tax	21	9
Highest paid director – Chief Executive	252	226
Benefits in kind	1	1
Pension equivalents	11	14
	264	241

The Chief Executive is a member of the SHPS 1/60th CARE pension scheme on the same basis as all other employees that are members of that scheme. Neither TGPL nor any other member of the Group contributes to any private pension of the Chief Executive.

Notes to the Financial Statements

for the year ended 31 March 2017...continued

6 Key management personnel and employee information...continued

	Group 2017 Number	TGPL 2017 Number	Group 2016 Number	TGPL 2016 Number
The average number of persons employed expressed in full time equivalents, whose remuneration payable including redundancy fell within the following bands:				
Less than £60,000	2,632	1,417	2,393	1,436
£60,001 to £70,000	35	32	32	29
£70,001 to £80,000	24	24	19	18
£80,001 to £90,000	3	3	10	7
£90,001 to £100,000	7	5	9	7
£100,001 to £110,000	4	4	5	5
£110,001 to £120,000	3	2	-	-
£120,001 to £130,000	2	2	1	1
£130,001 to £140,000	2	1	3	2
£140,001 to £150,000	3	3	3	2
£150,001 to £160,000	2	2	-	-
£190,001 to £200,000	-	-	2	2
£200,001 to £210,000	-	-	1	1
£220,001 to £230,000	-	-	1	1
£250,001 to £260,000	1	1	1	1
Total employees	2,718	1,496	2,480	1,512

Full time equivalents have been calculated on the basis that 35 working hours per week is equal to one full time equivalent. The remuneration used to allocate employees into the bands above includes redundancy payments to a number of staff as a result of the changes to our structure during the year. The number of employees whose actual remuneration falls into a bracket above £100,000 was 14 (2016:14).

6 Key management personnel and employee information...continued

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Staff costs – excluding non-executive directors				
Wages and salaries	75.7	45.9	69.1	42.2
Redundancy costs	1.2	1.2	4.2	4.2
Social security costs	6.6	4.3	5.5	3.7
Pension costs (employer's contributions)	8.1	7.5	7.5	6.3
	91.6	58.9	86.3	56.4
Staff costs – non-executive directors				
Wages and salaries	0.1	0.1	0.2	0.2
Redundancy costs	-	-	-	-
Social security costs	-	-	-	-
Pension costs (employer's contributions)	-	-	-	-
	0.1	0.1	0.2	0.2
Total staff costs				
Wages and salaries	75.8	46.0	69.3	42.4
Redundancy costs	1.2	1.2	4.2	4.2
Social security costs	6.6	4.3	5.5	3.7
Pension costs (employer's contributions)	8.1	7.5	7.5	6.3
	91.7	59.0	86.5	56.6

7 Interest payable and financing costs

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
On loans repayable on maturity within five years	1.8	1.9	1.7	1.7
On loans wholly or partly repayable in more than five years	58.1	57.8	57.9	57.0
To other group entities	-	-	-	0.1
Amortisation of loan issue costs	(0.2)	(0.2)	(0.4)	(0.4)
Breakage costs on cancellation of a fixed rate loan	-	-	2.7	-
Pension interest costs charged in respect of FRS 102 (note 28)	1.0	0.9	0.7	0.6
	60.7	60.4	62.6	59.0
Interest capitalised in respect of housing properties	(2.2)	(2.2)	(3.5)	(3.5)
Total interest payable and similar charges	58.5	58.2	59.1	55.5

The rate of interest in respect of capitalised interest for the Group and for TGPL is based on the weighted interest cost calculated on a monthly basis. The average rate used for the year is 5.4% (2016: 5.5%).

Notes to the Financial Statements for the year ended 31 March 2017...continued

8 Surplus before taxation

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Surplus for the year is stated after charging/(crediting):				
Depreciation of housing properties	44.2	42.7	44.2	42.7
Depreciation of other fixed assets	4.7	4.4	6.8	6.7
Amortisation of government grants – deferred income	(14.3)	(13.9)	(13.8)	(13.4)
Impairment of housing properties and other fixed assets	(2.0)	(1.7)	2.7	0.1
Auditor's remuneration in their capacity as auditors, excluding VAT, including expenses	0.3	0.2	0.2	0.1
Auditor's remuneration in respect of other services, excluding VAT, including expenses	-	-	-	-
Surplus on disposal of tangible fixed assets	(9.7)	(9.4)	(11.7)	(11.4)
Rent payable under operating leases	1.6	-	10.5	1.7

9 Taxation on surplus for year

The Guinness Partnership Limited and Guinness Care and Support Limited have charitable status and are not subject to corporation tax on surpluses derived from their charitable activities.

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Current tax:				
UK corporation tax on surplus for the year	0.8	0.8	-	-
Adjustments in respect of previous years	-	-	-	-
Current tax charge on surplus on ordinary activities	0.8	0.8	-	-
Deferred tax:				
Recognition of timing differences	-	-	-	-
Adjustments in respect of previous years	-	-	-	-
Deferred tax charge	-	-	-	-
Total tax charge on surplus on ordinary activities	0.8	0.8	-	-
Factors affecting tax charge for the year:				
Surplus before taxation	95.2	96.7	62.2	59.2
Adjustment for surpluses not subject to tax	(91.2)	(92.7)	(62.0)	(59.2)
Surplus/(loss) on ordinary activities before tax in taxable entities	4.0	4.0	0.2	-
Surplus/(loss) on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2016: 20%)	0.8	0.8	-	-
Current tax charge for the year	0.8	0.8	-	-

10 Tangible fixed assets – Housing Properties

	Group			Total
	Completed rented £m	Shared ownership £m	Under construction £m	£m
Cost				
At 1 April 2016	2,980.0	288.5	101.4	3,369.9
Additions – on transfer of engagement	227.4	2.1	13.8	243.3
Additions – components capitalised	20.4	-	-	20.4
Additions – properties under construction	-	-	48.7	48.7
Schemes completed	109.4	2.6	(112.0)	-
Disposals at cost	(21.7)	(7.3)	-	(29.0)
At 31 March 2017	3,315.5	285.9	51.9	3,653.3
Depreciation and leasehold amortisation				
At 1 April 2016	(544.0)	(14.1)	-	(558.1)
Depreciation charge for year	(44.2)	-	-	(44.2)
Disposals	11.5	0.6	-	12.1
At 31 March 2017	(576.7)	(13.5)	-	(590.2)
Impairment				
At 1 April 2016	(16.0)	(3.3)	-	(19.3)
Schemes completed	-	-	-	-
Released in the year	2.0	-	-	2.0
At 31 March 2017	(14.0)	(3.3)	-	(17.3)
Net book value				
At 31 March 2017	2,724.8	269.1	51.9	3,045.8
At 31 March 2016	2,420.0	271.1	101.4	2,792.5
			2017 £m	2016 £m
Expenditure on completed housing properties comprises the following:				
Capitalised costs in respect of existing properties			20.4	28.4
Costs charged to Statement of Comprehensive Income			24.4	17.4
Total costs in year incurred on existing properties			44.8	45.8
Completed housing properties at net book value comprise:				
Freeholds			2,686.7	2,381.8
Long leaseholds			38.2	38.2
Total net book value of completed housing properties			2,724.9	2,420.0
The following amounts have been included within the fixed asset table above:				
Short leasehold office premises at net book value			0.2	0.2
Capitalised development administration costs included in additions in the year			3.2	4.9

Notes to the Financial Statements for the year ended 31 March 2017...continued

11 Tangible fixed assets – Housing Properties

	TGPL			Total £m
	Completed rented £m	Shared ownership £m	Under construction £m	
Cost				
At 1 April 2016	2,864.7	288.6	101.2	3,254.5
Additions – on transfer of engagement	227.4	2.1	13.8	243.3
Additions – components capitalised	18.7	-	-	18.7
Additions – properties under construction	-	-	49.6	49.6
Schemes completed	110.2	1.9	(112.1)	-
Disposals	(20.3)	(7.0)	-	(27.3)
At 31 March 2017	3,200.7	285.6	52.5	3,538.8
Depreciation and leasehold amortisation				
At 1 April 2016	(527.7)	(14.1)	-	(541.8)
Depreciation charge for year	(42.7)	-	-	(42.7)
Disposals	10.2	0.6	-	10.8
At 31 March 2017	(560.2)	(13.5)	-	(573.7)
Impairment				
At 1 April 2016	(13.1)	(3.3)	-	(16.4)
Schemes completed	-	-	-	-
Released in year	1.7	-	-	1.7
At 31 March 2017	(11.4)	(3.3)	-	(14.7)
Net book value				
At 31 March 2017	2,629.1	268.8	52.5	2,950.4
At 31 March 2016	2,323.9	271.2	101.2	2,696.3
			2017 £m	2016 £m
Expenditure on completed housing properties comprises the following:				
Capitalised costs in respect of existing properties			18.7	25.5
Costs charged to Statement of Comprehensive Income			24.0	16.6
Total costs in year incurred on existing properties			42.7	42.1
Completed housing properties at net book value comprise:				
Freeholds			2,583.0	2,277.8
Long leaseholds			46.1	46.1
Total net book value of completed housing properties			2,629.1	2,323.9
The following amounts have been included within the fixed asset table above:				
Short leasehold office premises at net book value			0.2	0.2
Capitalised development administration costs included in additions in the year			3.2	4.9

TGPL's completed housing properties have been insured at a reinstatement value of which together with a 25% notional assumed land value would amount to £7,300 million (2016: £6,635 million) compared with a cost of £3,486 million (2016: £3,153 million).

12 Other tangible fixed assets

	Group		Total £m
	Freehold & leasehold offices £m	Plant, vehicles & equipment £m	
Cost			
At 1 April 2016	32.6	34.7	67.3
Additions	1.2	4.7	5.9
Additions on transfer of engagements	3.2	0.1	3.3
Disposals at cost	(0.9)	(0.8)	(1.7)
At 31 March 2017	36.1	38.7	74.8
Depreciation, impairment and leasehold amortisation			
At 1 April 2016	(10.7)	(19.9)	(30.6)
Depreciation charge for year	(0.3)	(4.6)	(4.9)
Impairment	-	-	-
Disposals	0.1	0.1	0.2
At 31 March 2017	(10.9)	(24.4)	(35.3)
Net book value			
At 31 March 2017	25.2	14.3	39.5
At 31 March 2016	21.9	14.8	36.7
	TGPL		
	Freehold & leasehold offices £m	Plant, vehicles & equipment £m	Total £m
Cost			
At 1 April 2016	30.5	32.9	63.4
Additions	1.2	4.0	5.2
Additions on transfer of engagement	3.1	0.1	3.2
Disposals at cost	(0.9)	(0.7)	(1.6)
At 31 March 2017	33.9	36.3	70.2
Depreciation, impairment and leasehold amortisation			
At 1 April 2016	(10.1)	(18.5)	(28.6)
Depreciation charge for year	(0.3)	(4.3)	(4.6)
Impairment	-	-	-
Disposals	0.1	0.1	0.2
At 31 March 2017	(10.3)	(22.7)	(33.0)
Net book value			
At 31 March 2017	23.6	13.6	37.2
At 31 March 2016	20.4	14.4	34.8

Notes to the Financial Statements for the year ended 31 March 2017...continued

13 Intangible assets

	Goodwill £m
Group	
Cost	
At 1 April 2016	2.4
Additions	-
At 31 March 2017	2.4
Amortisation	
At 1 April 2016	(2.4)
Charge for year	-
Impairment	-
At 31 March 2017	(2.4)
Net book value	
At 31 March 2017	-
At 31 March 2016	-

14 Investment properties

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
At 1 April	2.1	2.1	2.0	2.0
Additions	-	-	-	-
Revaluation gains	-	-	0.1	0.1
At 31 March	2.1	2.1	2.1	2.1

Investment properties were valued at 31 March 2017 by Jones Lang LaSalle, professionally qualified valuers. The valuation was undertaken in accordance with the Royal Institute of Chartered Surveyors Valuation Standards.

15 Fixed asset investments

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Debt service reserve investments	44.9	44.9	32.9	32.9
Homebuy and equity loans	11.2	11.1	11.2	11.1
Other investments	4.0	4.0	-	-
	60.1	60.0	44.1	44.0

16 Investment in subsidiaries

	TGPL	
	2017 £m	2016 £m
City Response Limited	2.0	-
Guinness Developments Limited	5.0	5.0
Guinness Housing Association Limited	0.1	0.1
Guinness Homes Limited	12.0	12.0
Halcoo 1397 Limited	27.0	27.0
	46.1	44.1

17 Acquisitions

On 1 February 2017 the activities of Wulvern Housing Limited transferred to TGPL through a transfer of engagements. There was no consideration. The transfer has been included in the financial statements using the acquisition method of accounting. The provisional amount of the assets and liabilities on acquisition are:

	Net Book Value prior to transfer £m	Fair value adjustments £m	Fair value £m
Fixed assets			
Housing properties	171.5	71.9	243.4
Other fixed assets	3.2	-	3.2
	174.7	71.9	246.6
Current assets			
Stock	0.4	-	0.4
Debtors	1.2	-	1.2
Cash and cash equivalents	6.6	-	6.6
	8.2	-	8.2
Creditors: amounts falling due within one year	(5.9)	-	(5.9)
Net current assets	2.3	-	2.3
Creditors: amounts falling due after one year	(176.0)	(57.9)	(233.9)
Provisions for liabilities	(0.6)	-	(0.6)
Pension asset	4.5	(4.5)	-
Net assets	4.9	9.5	14.4
Gift on transfer of engagements			(14.4)

The gift on transfer of engagements has been recognised in the Statement of Comprehensive Income. The fair value of housing properties has been treated as a cost of assets to TGPL rather than as a revaluation. The grant creditor has been retained and accounted for on an accruals basis rather than extinguished on acquisition. The Board are satisfied that this is the most appropriate treatment on the basis of prudence and consistency with other property fixed assets, which are held at cost less depreciation.

On acquisition of Wulvern Housing Limited, the Group acquired the shares in Wulvern Platform Limited (now Guinness Platform Limited). The net assets of the company totalled £0.5 million which has been recognised in the Group Statement of Comprehensive Income, giving a total gain of £14.9 million.

Notes to the Financial Statements

for the year ended 31 March 2017...continued

18 Stock

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Properties completed for outright sale	10.4	0.3	54.8	0.3
Properties completed for shared ownership	0.5	0.6	3.8	3.8
Properties under development for outright sale	9.7	-	10.0	-
Properties under development for shared ownership	7.1	7.1	1.1	1.1
Stocks of maintenance materials	0.8	0.1	0.5	-
Total stock	28.5	8.1	70.2	5.2

19 Debtors

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Amounts falling due within one year				
Rents and service charges receivable	23.4	22.3	22.5	21.4
Less: provision for bad and doubtful debts	(13.0)	(12.7)	(11.6)	(11.3)
	10.4	9.6	10.9	10.1
Social housing grant receivable	0.7	0.7	-	-
Amounts due from group companies	-	44.9	-	49.5
Other debtors and prepayments	20.3	7.9	8.9	7.3
	31.4	63.1	19.8	66.9

20 Creditors: amounts falling due within one year

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Bank overdraft	2.2	2.1	-	-
Loans repayable within one year	16.5	15.9	23.9	23.8
Trade creditors	15.4	4.2	15.5	3.8
Taxation and social security	2.0	1.3	1.1	0.8
Corporation tax	0.8	0.8	-	-
Amounts due to group companies	-	10.8	-	2.9
Social Housing Grant repayable	0.3	0.3	0.5	0.5
Other creditors	24.4	24.5	26.8	25.0
Accruals and deferred income	43.1	31.5	34.0	31.0
Government grants - deferred income	14.7	14.2	13.9	13.5
Disposal Proceeds Fund	0.3	0.3	0.2	0.2
Recycled Capital Grant Fund	7.4	6.7	6.3	5.6
	127.1	112.6	122.2	107.1

As at 31 March 2017 the Group and TGPL held £16.6 million (2016: £15.8 million) relating to tenants' and leaseholders' sinking funds included within other creditors. These funds are held as cash.

21 Creditors: amounts falling due after more than one year

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Loans				
Repayable by annual instalments:				
Within one to two years	29.2	28.8	12.8	12.8
Within two to five years	68.1	67.0	56.9	56.9
In five years or more	781.3	777.5	603.9	597.9
	878.6	873.3	673.6	667.6
Repayable on maturity:				
Within two to five years	-	-	15.0	15.0
In five years or more	366.9	366.8	387.5	387.5
	1,245.5	1,240.1	1,076.1	1,070.1
Other loans	0.3	0.3	0.4	0.4
Bond issue premium	9.6	9.5	10.2	10.2
Bond issue discount	(0.5)	(0.5)	(0.5)	(0.5)
Loan issue costs	(8.5)	(8.5)	(7.8)	(7.8)
	1,246.4	1,240.9	1,078.4	1,072.4
Government grants – deferred income	1,176.4	1,143.3	1,164.8	1,131.2
Disposal Proceeds Fund	1.1	1.1	0.3	0.3
Recycled Capital Grant Fund	11.3	11.2	11.3	11.3
	2,435.2	2,396.5	2,254.8	2,215.2

Loan portfolio: During the year, the Group increased its borrowing by £161.9 million and TGPL increased its borrowing by £162.1 million (2016: Group: £1.0 million decrease, TGPL: £13.7 million increase). At 31 March 2017, total borrowing for the Group was £1,261.9 million and for TGPL was £1,256.0 million (2016: Group: £1,051.7 million, TGPL: £1,046.4 million). The loans repayable by instalments after five years are due for repayment within 31 years. The loans repayable on maturity after five years are due for repayment within 28 years. Loans are secured by specific charges on the Group's housing properties.

Borrowings include:

- The Guinness Trust First Mortgage Debenture Stock of £100 million, issued in two tranches of £60 million in November 1997 and £40 million in February 2001. The term of the Bond is 40 years from issue, interest is payable at a fixed coupon of 7.5% and capital repayments commenced in November 2008. TGPL maintains a Debt Service Reserve in a charged account equivalent to one year's interest and capital payments.
- The Harbour (Hermitage Housing Association) First Mortgage Debenture Stock of £45 million raised in August 2003. The term of the Bond is 30 years from issue, interest is payable at a fixed coupon of 5.28% and the capital is repayable in full at the end of the term. The Partnership maintains a DSR in a charged account equivalent to fifteen months' interest payments.
- The Guinness Northern Counties Limited First Mortgage Debenture Stock of £110 million raised in 1995. The term of the Bond is 30 years from issue with terms requiring payments into a sinking fund. These payments commenced in January 2016. Interest is payable at a fixed coupon of 9.125%.

Balances on Debt Service Reserves are shown with fixed asset investments (see note 15).

Notes to the Financial Statements

for the year ended 31 March 2017...continued

21 Creditors: amounts falling due after more than one year...continued

The maturity profile of the Group's loan facilities, drawn and undrawn, over the period (excluding other loans and fair value adjustments on acquisition of debt) as at 31 March 2017 is as follows:

	Financial liabilities £m	Undrawn facilities £m	Total facilities £m
As at 31 March 2017			
Less than one year	19.9	1.4	21.3
Within one to two years	29.2	100.0	129.2
Within two to five years	68.1	65.0	133.1
In five years or more	1,040.1	300.6	1,340.7
	1,157.3	467.0	1,624.3
As at 31 March 2016			
Less than one year	23.5	15.0	38.5
Within one to two years	28.3	11.8	40.1
Within two to five years	57.3	156.1	213.4
In five years or more	942.6	217.7	1,160.3
	1,051.7	400.6	1,452.3

At 31 March 2017 80.0% (2016: 80.2%) of the Group's borrowing was at fixed rates of interest. TGPL's borrowing at fixed rates of interest was 80.6% (2016: 80.3%). The period for which interest rates are fixed is up to 31 years (TGPL: 31 years). The figures for financial liabilities above exclude a sale and lease back agreement of £0.3 million (2016: £0.3 million).

Fixed rate maturities for the Group were as follows:

	Fixed rate maturities £m	Average interest %
As at 31 March 2017		
Less than one year	24.3	5.7%
Within one to two years	19.7	6.0%
Within two to five years	50.5	5.7%
In five years or more	832.0	6.1%
	926.5	6.1%
As at 31 March 2016		
Less than one year	8.0	4.0%
Within one to two years	10.0	4.3%
Within two to five years	32.2	4.9%
In five years or more	792.8	6.2%
	843.0	6.1%

At 31 March 2017, 20.0% (TGPL: 19.7%) of borrowing was at variable rates of interest. The weighted average interest rate for all loans at 31 March 2017 including margin was 5.4% (TGPL: 5.4%).

21 Creditors: amounts falling due after more than one year...continued

Hedging instruments: The Group and TGPL utilise a range of hedging instruments embedded and transacted under ISDA Agreements and including term fixes and cancellable options. Cancellable options as at 31 March 2017 totalled £81.1 million (2016: £66.5 million) covering terms of between six and twenty two years and option periods from three months to five years.

At 31 March 2017 transactions under ISDA Agreements totalled £111.0 million (2016: £112.0 million). The mark-to-market exposure on these was adverse to the value of £49.3 million (2016: £47.5 million adverse). Positions in excess of unsecured threshold levels are secured by property.

Fair value: The Guinness Trust £100 million debenture stock has a market value at 31 March 2017 of £138.0 million (2016: £132.6 million). The Harbour (Hermitage) £45 million debenture stock has a market value at 31 March 2017 of £60.2 million (2016: £54.9 million). The Northern Counties £110 million debenture has a market value at 31 March 2017 of £168.2 million (2016: £164.1 million). The Guinness Partnership Ltd £150 million secured bond issued on 24 October 2014 has a market value at 31 March 2017 of £187.6 million (2016: £158.8 million) (excluding £100.0 million of retained bonds).

The fair value of the liability in respect of fixed interest rate loans is equivalent to the sum of principal and net notional breakage costs that would be payable by the Group if, theoretically, the fixed interest rate agreements were terminated or redeemed at the year end. The fair value of the Group's liability in respect of fixed and callable fixed interest rate loans excluding The Guinness Trust Bond, Harbour Bond and Northern Counties Bond and The Guinness Partnership Ltd Bond detailed above, as at 31 March 2017, is estimated at £1,044.7 million (2016: £880.9 million).

Notes to the Financial Statements for the year ended 31 March 2017...continued

22 Financial assets and liabilities

The Group and TGPL hold a range of financial assets and liabilities where there is a contractual obligation to receive or deliver cash or cash equivalents. A summary of these assets and liabilities is set out below

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Financial assets measured at fair value				
Homebuy and equity loans	11.2	11.2	11.1	11.1
	11.2	11.2	11.1	11.1
Financial assets measured at amortised cost				
Debt service reserve investments	44.9	44.9	32.9	32.9
Rent and service charges receivable	23.4	22.3	22.5	22.3
Other debtors	16.0	4.2	5.6	4.3
Cash and cash equivalents	73.9	32.0	41.1	40.2
	158.2	103.4	102.1	99.7
Financial liabilities measured at fair value through profit or loss				
Standalone hedges	(49.3)	(49.3)	(47.5)	(47.5)
	(49.3)	(49.3)	(47.5)	(47.5)
Financial liabilities measured at amortised cost				
Bank overdraft	(2.2)	(2.1)	-	-
Trade creditors	(15.4)	(4.2)	(15.5)	(3.8)
Other creditors	(24.3)	(27.0)	(26.8)	(25.0)
Amounts owed to subsidiary entities	-	(10.8)	-	(2.9)
Loans repayable within one year	(16.5)	(15.9)	(23.9)	(23.8)
Loans repayable after one year	(1,196.0)	(1,192.6)	(1,028.6)	(1,022.6)
	(1,254.4)	(1,252.6)	(1,094.8)	(1,078.1)

The Group's financial instruments comprise cash and cash equivalents, bank borrowings and items such as trade creditors and trade debtors which arise directly from its operations. The main purpose of these financial instruments is to provide finance for the group's operations.

The Group's operations expose it to a variety of financial risks including credit risk, liquidity risk and interest rate risk. The Group's Treasury Management policy is updated and submitted annually to the group Board for approval. The Group Audit and Risk Committee and the group Board review treasury performance. A summary of these risks is shown within the Report of the Board and Strategic Report.

23 Government grants – deferred income

The Group and TGPL have received government grants in order to provide social housing. The majority of these grants are Social Housing Grant, but the Group and TGPL have also received grants from Local Authorities and other Government bodies.

The grants have no explicit requirements to be repaid, but on disposal of properties to which they relate, there is an obligation to either recycle or repay the grant received in relation to the property.

	Group		
	Completed properties & equity loans £m	Properties under construction £m	Total £m
Social Housing Grant			
At 1 April 2016	1,285.1	49.4	1,334.5
Grant acquired on transfer of engagements	20.9	3.4	24.3
Grant receivable	(0.5)	9.4	8.9
Grant transferred at completion	11.2	(11.2)	-
Grant transferred on disposals	(4.4)	(6.4)	(10.8)
At 31 March 2017	1,312.3	44.6	1,356.9
Other capital grants			
At 1 April 2016	114.4	5.3	119.7
Grant acquired on transfer of engagements	1.2	0.3	1.5
Grant receivable	0.7	1.5	2.2
Grant transferred at completion	-	-	-
Grant transferred on disposals	-	-	-
At 31 March 2017	116.3	7.1	123.4
Amortisation			
At 1 April 2016	(275.5)	-	(275.5)
Released to income during the year	(14.3)	-	(14.3)
Transferred on disposals	0.6	-	0.6
At 31 March 2017	(289.2)	-	(289.2)
Net deferred income at 31 March 2017			
Deferred income to be released in less than one year	14.7	-	14.7
Deferred income to be released in more than one year	1,124.7	51.7	1,176.4
At 31 March 2017	1,139.4	51.7	1,191.1
Net deferred income at 31 March 2016			
Deferred income to be released in less than one year	13.9	-	13.9
Deferred income to be released in more than one year	1,110.1	54.7	1,164.8
At 31 March 2016	1,124.0	54.7	1,178.7

Notes to the Financial Statements

for the year ended 31 March 2017...continued

23 Government grants – deferred income...continued

	TGPL		Total £m
	Completed properties & equity loans £m	Properties under construction £m	
Social Housing Grant			
At 1 April 2016	1,236.3	49.4	1,285.7
Grant acquired on transfer of engagements	20.9	3.4	24.3
Grant receivable	(0.5)	9.3	8.8
Grant transferred at completion	11.2	(11.2)	-
Grant transferred on disposals	(4.6)	(6.3)	(10.9)
At 31 March 2017	1,263.3	44.6	1,307.9
Other capital grants			
At 1 April 2016	114.4	5.3	119.7
Grant acquired on transfer of engagements	1.2	0.3	1.5
Grant receivable	0.7	1.5	2.2
Grant transferred at completion	-	-	-
Grant transferred on disposals	-	-	-
At 31 March 2017	116.3	7.1	123.4
Amortisation			
At 1 April 2016	(260.7)	-	(260.7)
Released to income during the year	(13.9)	-	(13.9)
Transferred on disposals	0.8	-	0.8
At 31 March 2017	(273.8)	-	(273.8)
Net deferred income at 31 March 2017			
Deferred income to be released in less than one year	14.2	-	14.2
Deferred income to be released in more than one year	1,091.6	51.7	1,143.3
At 31 March 2017	1,105.8	51.7	1,157.5
Net deferred income at 31 March 2016			
Deferred income to be released in less than one year	13.5	-	13.5
Deferred income to be released in more than one year	1,076.5	54.7	1,131.2
At 31 March 2016	1,090.0	54.7	1,144.7

24 Recycled Capital Grant Fund and Disposal Proceeds Fund

	Group HCA £m	Group GLA £m	TGPL HCA £m	TGPL GLA £m
Recycled Capital Grant Fund				
At 1 April 2016	17.3	0.3	16.6	0.3
Additions on Transfer of Engagements	-	-	-	-
Inputs to fund:				
Grants recycled during the year	5.5	0.2	5.4	0.2
Interest added to the fund during the year	0.1	-	0.1	-
Recycling of grant:				
New build	(4.7)	-	(4.7)	-
At 31 March 2017	18.2	0.5	17.4	0.5
Amounts 3 years or older where repayment may be required	2.9	-	2.3	-

	Group HCA £m	Group GLA £m	TGPL HCA £m	TGPL GLA £m
Disposal Proceeds Fund				
At 1 April 2016	0.3	0.2	0.3	0.2
Additions on Transfer of Engagements	0.8	-	0.8	-
Inputs to fund:				
Grants recycled during the year	0.2	-	0.2	-
Interest added to the fund during the year	-	-	-	-
Recycling of grant:				
New build	(0.1)	-	(0.1)	-
At 31 March 2017	1.2	0.2	1.2	0.2
Amounts 3 years or older where repayment may be required	0.1	0.1	0.1	0.1

25 Share Capital

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Alotted, called up and fully paid				
At 1 April	5	5	7	7
Issued during the year	2	2	-	-
Cancelled during the year	(1)	(1)	(2)	(2)
At 31 March	6	6	5	5

The share capital of 6 ordinary shares of £1 each represents the nominal value of the shares. These shares carry no dividend rights and are cancelled on cessation of membership of the Group. Each member has the right to vote at members' meetings.

Notes to the Financial Statements

for the year ended 31 March 2017...continued

26 Pension provision

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
LPFA	5.6	5.6	5.5	5.5
Unfunded scheme	0.3	0.3	0.4	0.4
Other	0.4	0.4	1.1	0.5
At 31 March	6.3	6.3	7.0	6.4

Further details of the provisions for the LPFA and the closed unfunded scheme are set out in Note 28.

27 Other provisions for liabilities

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Provision for future deficit payments – SHPS pension scheme	45.7	43.2	49.9	46.5
Provision for future deficit payments – acquired – SHPS pension scheme	0.5	0.5	-	-
Other provisions	3.0	1.4	2.2	1.3
At 31 March	49.2	45.1	52.1	47.8
Other provisions:				
At 1 April	2.2	1.3	1.6	0.9
Provided during the year	1.9	0.9	1.1	0.6
Released during the year	(1.1)	(0.8)	(0.5)	(0.2)
At 31 March	3.0	1.4	2.2	1.3

Further details of the provisions for the SHPS scheme are set out in Note 28.

28 Pension obligations

The Group and TGPL contribute to a number of defined benefit pension schemes for staff, the assets of which are held in separate trustee administered funds. The total contributions to these schemes by the Group for the year ended 31 March 2017 amounted to £8.1 million (2016: £7.5 million).

A summary of the Group pension obligations from the Social Housing Pension Scheme (SHPS) and the liability from other defined benefit schemes is included below:

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
SHPS	46.2	43.7	49.9	46.5
Defined benefit schemes	5.9	5.9	5.9	5.9
	52.1	49.6	55.8	52.4

Social Housing Pension Scheme (SHPS)

The Group participates in the SHPS 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 Group 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.

28 Pension obligations...continued

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.

The Group currently operates a 1/80th defined benefit career average revalued earnings (CARE) scheme for new and existing employees and a 1/60th CARE scheme for some existing employees, but closed to new employees. For these schemes future employer contributions will be equal to 18.1% of pensionable salaries.

The contributions payable by the Group during the accounting period, which were assessed in accordance with the advice of a qualified actuary, were equal to 10.7% (2016: 15.2%) of total pensionable salaries.

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 £3,123 million, liabilities of £4,446 million and a deficit of £1,323 million. 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.

A provision is recognised for the additional deficit contributions as set out below.

Present values of provision: reconciliation of opening and closing provisions

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Provision at start of period	49.9	46.5	38.0	35.2
Obligation acquired on transfer of engagements	0.5	0.5	-	-
Unwinding of the discount factor (interest expense)	1.0	0.9	0.7	0.6
Deficit contribution paid	(6.5)	(5.5)	(4.3)	(3.9)
Re-measurement - impact of any changes in assumptions	1.3	1.3	(0.3)	(0.3)
Re-measurement - amendments to the contribution schedule	-	-	15.8	14.9
Provision at end of period	46.2	43.7	49.9	46.5

Recognition in Statement of Comprehensive Income

The amounts recognised in relation to SHPS in the Statement of Comprehensive Income are as follows

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Interest expense	1.0	0.9	0.7	0.6
Re-measurement - impact of any changes in assumptions	1.3	1.3	(0.3)	(0.3)
Re-measurement - amendments to the contribution schedule	-	-	15.8	14.9
	2.3	2.2	16.2	15.2

Notes to the Financial Statements for the year ended 31 March 2017...continued

28 Pension obligations...continued

Other defined benefit pension schemes

The Group and TGPL also contributes to three defined benefit pension schemes, two for the whole year and one for the period since the merger with Wulvern Housing where the share of the assets and liabilities can be identified. The pension costs are assessed in accordance with the advice of a qualified actuary. The latest full actuarial valuations for the schemes were carried out at 31 March 2013 and have been updated by the actuaries to 31 March 2017 on an FRS 102 basis.

The defined benefit pension liability comprises the following schemes:

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
London Pensions Fund Authority	5.6	5.6	5.5	5.5
The Cheshire Pension Fund (LGPS)	-	-	-	-
Unfunded scheme	0.3	0.3	0.4	0.4
	5.9	5.9	5.9	5.9

The main weighted average assumptions used within the remaining schemes are as follows:

	2017 p.a.	2016 p.a.
Group		
Price increases	3.0%	3.4%
Salary increases	3.1%	4.3%
Pension increases	2.8%	2.5%
Discount rate for scheme liabilities	2.9%	3.8%
TGPL		
Price increases	3.0%	3.4%
Salary increases	3.1%	4.3%
Pension increases	2.8%	2.5%
Discount rate for scheme liabilities	2.9%	3.8%

28 Pension obligations...continued

The Group and TGPL's employer asset shares are set out below:

	2017 £'000	2017 %	2016 £'000	2016 %
Group				
Equities	30,614	55%	4,512	47%
LDI / Cashflow matching	-	-	985	10%
Target Return Portfolio	2,570	5%	2,066	21%
Infrastructure	612	1%	532	5%
Commodities	-	-	43	0%
Bonds	15,513	28%	-	-
Property	4,059	7%	347	4%
Cash	1,954	4%	1,228	13%
Total	55,322	100%	9,713	100%
TGPL				
Equities	30,614	55%	4,512	47%
LDI / Cashflow matching	-	-	985	10%
Target Return Portfolio	2,570	5%	2,066	21%
Infrastructure	612	1%	532	5%
Commodities	-	-	43	0%
Bonds	15,513	28%	-	-
Property	4,059	7%	347	4%
Cash	1,954	4%	1,228	13%
Total	55,322	100%	9,713	100%

The fair value of the assets in the scheme and the assessed present value of the liabilities in the scheme are as follows:

	2017 £'000	2016 £'000
Group and TGPL		
Estimated employer assets	55,324	9,713
Present value of scheme liabilities	60,916	15,259
Present value of unfunded liabilities	346	346
Total value of liabilities	61,262	15,605
Pension provision	5,938	5,892

Notes to the Financial Statements for the year ended 31 March 2017...continued

28 Pension obligations...continued

Recognition in Statement of Comprehensive Income

The amounts recognised in relation to the other defined benefit schemes in the Statement of Comprehensive Income are as follows:

	2017 £'000	2016 £'000
Group and TGPL		
Service Cost	(461)	(1,105)
Net interest on the defined liability/(asset)	(206)	(206)
Interest on pension scheme liabilities	-	(10)
Administration expenses	(13)	(14)
Total surplus/(deficit)	(680)	(1,335)

The amounts recognised in relation to the other defined benefit schemes in Other Comprehensive Income are as follows

	2017 £'000	2016 £'000
Group and TGPL		
Return on Fund assets in excess of interest	1,635	(413)
Other actuarial gains on assets	435	-
Change in financial assumptions	(3,661)	1,355
Change in demographic assumptions	253	-
Experience gain/(loss) on defined benefit obligation	1,569	4
Re-measurement of the net assets/(defined liability)	231	946

Reconciliation of defined benefit obligation

	2017 £'000	2016 £'000
Group and TGPL		
Opening defined benefit obligation	15,605	15,751
Acquired on transfer of engagement	43,084	-
Current service cost	372	529
Interest cost	577	554
Actuarial losses/(gains) and changes in financial assumptions	3,661	(1,359)
Losses on curtailments	-	-
Change in demographic assumptions	(253)	-
Experience gain on defined benefit obligation	(1,569)	-
Estimated unfunded benefits paid	-	(27)
Estimated benefits paid	(395)	(534)
Past service cost	89	576
Contributions by members	91	115
Closing defined benefit obligation	61,262	15,605

28 Pension obligations...continued

Reconciliation of fair value of employer assets

	2017 £'000	2016 £'000
Group and TGPL		
Opening fair value of employer assets	9,713	9,526
Acquired on transfer of engagement	43,084	-
Expected return on plan assets	-	-
Interest on assets	371	338
Return on assets less interest	1,635	(413)
Actuarial gains/(losses)	435	-
Administration expenses	(13)	(14)
Contributions by employers	403	695
Contributions by members	91	115
Estimated benefits paid	(395)	(534)
Settlements	-	-
Scheme cessation	-	-
Closing fair value of employer assets	55,324	9,713

29 Notes to the statement of cashflows

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Cash flow from operating activities				
Operating surplus for the year	130.3	132.1	124.2	116.9
Adjustments for non-cash items:				
Depreciation of tangible fixed assets	46.7	45.2	56.0	49.5
Amortisation of deferred government grant	(14.3)	(13.9)	(13.8)	(13.4)
Decrease/(increase) in stock	42.1	(2.6)	(31.8)	7.8
(Increase)/decrease in trade and other debtors	(8.7)	5.2	(1.4)	(29.3)
(Decrease)/increase in trade and other creditors	(4.0)	(0.1)	13.4	8.5
Net cash inflow from operating activities	192.1	165.9	146.6	140.0

Notes to the Financial Statements for the year ended 31 March 2017...continued

30 Capital commitments

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Capital expenditure that has been contracted for but has not been provided for in these financial statements	78.9	78.4	96.5	91.2
Capital expenditure that has been authorised by the Board but has not been contracted for	11.6	3.0	59.0	46.9
	90.5	81.4	155.5	138.1

The financing of capital expenditure that has been contracted for but has not been provided for in these financial statements will be provided through a combination of:

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Social Housing Grant	10.4	10.4	7.0	7.0
Loan finance	49.4	49.4	-	28.6
First tranche sales/outright sales	19.1	18.6	89.5	55.6
	78.9	78.4	96.5	91.2

31 Contingent liabilities

The Group enters into development and construction contracts with a range of construction companies in its normal course of business. At the end of the year, there are a number of claims by the contractor under a few of these contracts for additional costs. Where these are valid and the additional cost is estimable, they have been accrued in the accounts. However, there are some claims which the Group is disputing and these are not provided for as they are not considered to be liabilities. These claims relate to both TGPL and its subsidiaries, Guinness Developments Limited and Guinness Platform Limited, and are not considered to have an impact on the Statement of Comprehensive Income or considered material to the accounts.

32 Operating leases

The Group leases some of its office accommodation on non-cancellable operating leases.

At 31 March 2017, the Group had minimum lease payments under such leases as set out below:

	Group 2017 £m	TGPL 2017 £m	Group 2016 £m	TGPL 2016 £m
Operating leases which expire:				
Within one year	3.2	1.7	4.8	3.9
Within one to five years	3.5	1.5	4.7	3.1
After five years	0.2	-	1.0	0.7
	6.9	3.2	10.5	7.7

33 Managing agents

Certain accommodation owned by the Group is managed on its behalf under management agreements or short term leases by other bodies.

The principal agencies are listed below:

	Units/bed spaces Group		Units/bed spaces TGPL	
	2017 Number	2016 Number	2017 Number	2016 Number
Agency:				
Sunshing International Ltd	203	203	203	203
Homes For Change	75	75	75	75
MENCAP	52	52	52	52
Turning Point	52	49	52	49
Bangla	42	41	42	41
Home Group	46	40	46	40
Mears Care Limited	40	40	40	40
Creative Support	61	39	61	39
Derby City Homes	33	33	33	33
Community Integrated Care	31	31	31	31
Framework Housing Assoc	31	31	31	31
Sheffield Health & Social Care	31	31	31	31
DISC	30	30	30	30
Rooftop	30	29	30	29
Sheffield Social Services	23	-	-	-
Richmond Fellowship	23	-	-	-
Others	518	550	550	516
	1,321	1,274	1,307	1,240

34 Subsidiary undertakings

Subsidiary	Note	Status	Activity
City Response Limited	a	Registered under the Companies Act 2006	Property Maintenance Services
Devon Sheltered Homes Trust	c	Registered Charity	Provision of Care and Support Services
Guinness Care and Support Limited		Registered Provider	Provision of Care and Support Services
Guinness Developments Limited	a	Registered under the Companies Act 2006	Property Development
Guinness Homes Limited	a	Registered under the Companies Act 2006	Property Development
Guinness Housing Association Limited		Registered Provider	Supplier of Social Housing
Guinness Platform Limited	a	Registered under the Companies Act 2006	Property Development
Hallco 1397 Limited	a	Registered under the Companies Act 2006	Property Development
Independent Home Life Services Limited	d	Registered under the Companies Act 2006	Provision of Care Services
Kylemore Care Services Limited	b	Registered under the Companies Act 2006	Provision of Care Services
Live Well at Home Limited	b	Registered under the Companies Act 2006	Holding company
Wulvern Housing Limited	e	Registered Provider	Supplier of Social Housing

Notes to the Financial Statements for the year ended 31 March 2017...continued

34 Subsidiary undertakings...continued

- a) City Response Limited, Guinness Homes Limited, Guinness Developments Limited, Guinness Platform Limited and Hallco 1397 Limited are private companies limited by shares and of whom The Guinness Partnership Limited is the parent entity.
- b) Live Well at Home Limited and Kylemore Care Services Limited are wholly owned subsidiaries of Guinness Care and Support Limited.
- c) Guinness Care and Support Limited is the Corporate Trustee of Devon Sheltered Homes Trust.
- d) Independent Home Life Services Limited is a wholly owned subsidiary of Live Well at Home Limited.
- e) Wulvern Housing Limited has no assets and no liabilities and is in the process of being de-registered from the HCA and FCA.

35 Related party transactions

At 31 March 2017, there were two members (2016: 1) of Committees within the Group who had tenancy agreements with the Group and one member who is a leaseholder (2016: nil). The tenancy agreements have been granted on the same terms as for all other tenants/leaseholders and the housing management procedures, including those relating to the management of arrears if applicable, have been applied consistently to those tenants.

Transactions between TGPL and other members of The Guinness Partnership as set out below:

	Services received 2016/17 £'000	Services provided 2016/17 £'000	Debtor/ (Creditor) balances as at 31 March 2017 £'000
Regulated			
Guinness Care and Support Limited	3,538	1,200	4,866
Guinness Housing Association	-	680	4,701
Non-Regulated			
Guinness Developments Limited	45,297	365	168
Guinness Homes Limited	-	375	20,337
Guinness Platform Limited	-	-	-
Hallco 1397 Limited	-	-	116
City Response Limited	44,129	900	536
Devon Sheltered Homes Trust	-	-	50

The debtor balances above include amounts payable to TGPL for approved Gift Aid for the year ended 31 March 2017.

The equity investments in Group undertakings are disclosed in Note 16. At the year end TGPL has loan balances with other Group undertakings. These loans are at arms length terms

	Facility £m	Drawn 2017 £m	Drawn 2016 £m
Guinness Developments Limited	25.0	-	-
Guinness Homes Limited	45.0	-	16.0
Hallco 1397 Limited	5.0	4.2	3.1
City Response Limited	1.0	-	-

Guinness Care & Support (GCS) have a £2.5m revolving credit facility with TGPL of which £nil was drawn at 31 March 2017 and Devon Sheltered Homes Trust have £1.5m facility of which £0.8m was drawn at the year end.

Where possible, services are recharged between entities at the cost at which they were originally incurred. Back office costs and other management costs are charged on a range of apportionment bases such as number of FTEs, number of units in management and total loan facilities.

The Guinness Partnership Limited Executive Team



Catriona Simons

Group Chief Executive
Appointed: **December 2009**
Appointed Group Chief Executive: **July 2015**



Ian Joynson

Executive Director of Asset Management
Appointed: **November 2014**



Jon Milburn

Group Development Director
Appointed: **June 2016**



Paul Rennard

Group Finance Director (succeeded by Philip Day from 31.07.17)
Appointed: **July 2015**



Paul Roberts

Executive Director of Property Services
Appointed: **June 2012**



Paul Watson

Managing Director, Guinness Care
Appointed: **December 2007**



Peter Hedderly

Executive Director of Corporate Services
Appointed: **July 2015**



Sarah Thomas

Executive Director of Customer Services
Appointed: **January 2016**

The Guinness Partnership Limited Board



Neil Braithwaite, Chair

Appointed: **17.10.13** Effective from: **01.11.13**

Chair The Guinness Partnership Limited.

Chair of the service and Performance Committee; Member of the Remuneration and Nominations Committee; Board Member of The Guinness Housing Association Limited; Trustee of both Barnardo's and its pension scheme; Chairman of the Brathay Trust; Governor of a number of primary & secondary Co-operative Academies in Leeds and Stoke-on-Trent. Former Managing Director - Specialist Retail Businesses for the Co-operative Group.



Peter Cotton, Deputy Chair

Appointed: **09.12.09** Effective from: **04.01.10**

Deputy Chair and Senior Independent Director The Guinness Partnership Limited.

Chair of the Remuneration and Nominations Committee; Chair of The Guinness Housing Association Limited; Chair of Guinness Care and Support Limited Board; Former Non-Executive Director and member of audit, remuneration and customer service committees, Eurostar. Former MD, Scotrail, Gatwick Express, Del Monte UK. Volunteer and Ambassador for Florence Nightingale Hospice. Bereavement counsellor.



Amanda Calvert

Appointed: **31.01.17** Effective from: **31.01.17**

Board Member of Guinness Housing Association Limited, Member of the Group Audit and Risk Committee; Non-Executive Director of MIC Limited; Proprietor of the Quince Consultancy Limited.



Catriona Simons

Appointed: **01.10.12** Effective from: **01.10.12**

Chief Executive of The Guinness Partnership Limited; Member of the Service and Performance Committee; Member of the Health, Safety and Environmental Committee; Board Member of Guinness Developments Limited; Board Member of Guinness Homes Limited; Board Member of Guinness Housing Association Limited; Board Member of Guinness Care and Support Limited; Board Member of City Response Limited; Board Member of Halcoo 1397 Limited. Board Member of Guinness Platform Limited.



John Lougher

Appointed: **23.03.16** Effective from: **01.05.16**

Board Member of Guinness Housing Association Limited, Member of the Health, Safety and Environmental Committee; Director of Bovis Homes Limited.



Laure Duhot

Appointed: **18.05.16** Effective from: **01.07.16**

Board Member of Guinness Housing Association Limited, Member of the Group Audit and Risk Committee; Non-Executive Director of MIC Limited; Property Consultant.



Mike Petter

Appointed: **13.02.14** Effective from: **01.03.14**

Chair of the Health and Safety Committee; a member of the Remuneration and Nominations Committee; and a board member of Guinness Care and Support Limited, The Guinness Housing Association Limited, and the Group Audit and Risk Committee. Deputy Chair of the Considerate Constructors' Scheme; a Chartered Engineer; Director and Chairman of the Considerate Constructors Scheme; Advisory Panel Member with Scottish and Southern Energy Networks; and Management Consultant at Five Dimensional Management Ltd.



Phil Morgan

Appointed: **31.01.17** Effective from: **31.01.17**

Board Member of Guinness Housing Association Limited, Member of the Service & Performance Committee; Chair of Healthwatch Salford; Director of Phil Morgan Limited; Associate of Ark Training; Associate of Revelation Training; Associate of Investors in Excellence.



Samantha Pitt

Appointed: **12.02.15** Effective from: **01.03.15**

Chair of the Group Audit and Risk Committee; Member of the Remuneration and Nominations Committee; Board Member of Guinness Housing Association Limited; Previously worked for the Strategic Rail Authority (a Government Agency); Group Treasurer Network Rail and a trustee of all its pension schemes, a director of various other Network Rail companies and Chair of its Charity Panel.

Registered Office, Principal Advisors and Lenders

Registered Office

The Guinness Partnership Limited
30 Brock Street
Regent's Place
London
NW1 3FG

Statutory Auditor

Nexia Smith & Williamson
25 Moorgate
London
EC2R 6AY

Solicitors

Trowers & Hamblins LLP
3 Bunhill Row
London
EC1Y 8YZ

Bankers

National Westminster Bank plc

Barclays Bank plc

HSBC Bank plc

Lloyds TSB Bank plc

Lenders

BAE Pension Funds

Barclays Bank plc

The Co-operative Bank plc

Dexia Public Finance Bank

Halifax Bank of Scotland plc

Lloyds Banking Group

Nationwide Building Society

Orchardbrook Limited

The Royal Bank of Scotland plc

Santander UK plc

Warrington Borough Council

Yorkshire Building Society



Suttons Wharf, London

**Great service,
great homes and
a great place to work**



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The Guinness Partnership Ltd is a charitable
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Provider of Social Housing No. 4729.