Empowering People Inspiring Communities Limited

Financial Statements
For The Year Ended 31 March 2018

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

Empowering People Inspiring Communities Limited

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CHAIRMAN'S FOREWORD

For the 2017/18 year we continued to make good progress towards our vision of extending the range of good quality housing choices available for people on below average incomes and our mission of modernising our housing service. Our performance in delivering high quality housing management and maintenance services in 2017/18 continued to be in the top quartile of all housing associations in England.

Our commitment to growth was greatly aided by our success in attracting grant funding from Homes England and Stoke-on-Trent city council. In 2017/18 we received £1,253,628 in grant and disposal proceeds funds which was used to help us acquire and refurbish 53 houses. This was especially pleasing as mid way through the year we raised the acquisitions target from 44 homes to 53, reflecting our success in attracting additional funding. Although nationally the focus has been upon building new homes, Stoke-on-Trent and Newcastle-under-Lyme have significant problems with empty homes and we have worked in partnership with both councils to tackle these problems and bring empty homes back into use.

We are particularly proud of our success in bidding for resources for Rent To Buy funding which will help enable us to buy/develop up to 221 homes over the next four years, helping families access lower rents and achieve their dreams of owner occupation. Our track record of delivery has helped us achieve a higher per unit grant rate which will enable us to tackle properties in need of major refurbishment works and provide homes in the adjoining area of Staffordshire Moorlands where affordability problems are particularly acute.

The majority of the funding for this expanded programme has come from the loan facility which we secured in June 2017 and we are now using this resource to help us finance our ambitious programme. In order to help sustain the growth programme over the next four years we took steps in the year to extend the existing loan facility from £5m to £14m. This still represents a low level of debt per unit and helps us to make the best use of our assets.

During the year we helped house over 400 people from single people to large families and we are pleased that our tenants are choosing to stay with us for much longer, with this reflecting the fact that we can now help growing families through acquiring larger houses. In this respect we work closely with Stoke on Trent council and other partners to ensure that we make an important contribution to the provision of social housing in North Staffordshire.

Of course growth is only part of the story and our tenants value the quality of their homes and the services we provide the most. Once again we either met or exceeded our targets here, despite delivering a one per cent rent cut for our existing tenants. Our rate of rent collection reduced marginally, collecting 99.1% compared to 100.8% in the previous year, our loss from void dwellings decreased to 0.56% compared to 0.62% in the previous year; and we recorded our lowest ever tenancy turnover rate of 11%. In relation to repairs and maintenance, we finished the year with 100% of our properties where access was granted with valid gas certificates, (99.6% inclusive of where access has been denied); the appropriate legal process has been initiated where access has been denied. The total amount of repairs attended increased by 7.6% (7.1% identified during the periodic electrical testing across the property portfolio, which has commenced this year); and we continued to invest in the renewal of key components such as kitchens and boilers. Unfortunately, the amount of time it took to re-let empty homes increased slightly (from an average of 17 days to an average of 20 days), mainly due to undertaking some major property improvements during the re-let period, and installing mains gas services to three properties.

Our previous performance in growth had taken us over the 1,000 unit definition of a small housing association and as a result we were subject to an In Depth Assessment by our regulator. We were pleased to note that our governance and viability were both regarded as satisfactory, but we needed to make some changes around our approach to risk management and stress testing in order to achieve excellence in governance.

Our Business Plan was refreshed towards the end of the financial year and contains ambitious plans around growth and modernisation of the service. The achievements of the year depend totally upon the performance of staff in delivering the service and the Board in ensuring that we have the right strategy and systems of assurance. I remain proud to chair an organisation which is driven by its values and makes an important contribution to the success of the neighbourhoods and people we serve.

LEGAL AND ADMINISTRATIVE DETAILS

Board Members

Surname	First name	Capacity	Date Joined	Date Resigned
Gething	John	Chairperson / Independent	15/09/2010	N/A
Holmes	Kirsty	Tenant Member	04/06/2014	N/A
Fury	Alex	Local Authority Member	14/09/2012	N/A
Thompson	Matthew	Independent	27/03/2015	12/02/2018
Stone	Andrew	Independent	02/06/2016	N/A
Matharoo	Darshan	Independent / Vice Chair	14/09/2016	N/A
Funnell	Stephen	Co-optee	05/04/2017	N/A
Lunio	Peter	Independent	13/09/2017	N/A
Harries	Dawn	Independent	13/09/2017	N/A
Turner	Peter	Independent	13/09/2017	N/A

Key Management Personnel

Surname	First name	Capacity
Gibbs	Len	Chief Executive
Hopkins	Neal	Director of Housing
Fullwood	Rachael	Finance Director
Noble	Hadrian	Asset Manager
Smith	Christopher	Systems Manager

Registered Office
131-141 Ubberley Road, Bentilee, Stoke on Trent, Staffordshire, ST2 0EF

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

Bankers/Funders
The Co-operative Bank plc
Birmingham Commercial Banking Centre
1st Floor
118-120 Colemore Row
Birmingham
B3 3BA

Funders
Triodos Bank
Deanery Road
Bristol
BS15AS

BOARD REPORT FOR THE YEAR ENDED 31 MARCH 2018

Strategic Report for the Year Ended 31 March 2018

Nature of the Business

EPIC is a registered charity which provides good quality housing for people on low incomes. We are also registered with Homes England and the Regulator of Social Housing as a provider of social housing. We are located in the Bentilee area of Stoke-on-Trent and we own 922 flats, 203 houses and 20 leasehold properties. Our presence in Bentilee has made it a much more stable community. We have achieved this through careful allocations and strong housing management. At a household level, we hope that the provision of good quality, affordable rented housing enables people to build upon a platform of security. We hope that the good maintenance and improvement of our stock contributes also to the overall health of the areas in which we operate. During the 2018/22 Business Planning period we plan to extend the range of good quality housing choices available for people on below average incomes and deliver an intelligent housing service which creates value for the household and the wider community.

Housing Services Review

The key objectives of the housing service are:
1. To attract sufficient new customers to let our available homes.
2. To provide excellent customer service and ensure our tenancies are properly conducted.
3. To maximise collection of our rental income.
4. To develop new tenure offerings in line with our Business Plan.
5. To modernise our patterns of communication and interaction with customers.

During the year we have made changes to our Allocations process so that the vast majority of applications are now made online. We have also streamlined the process by requiring applicants to submit proof of their identity, address and income to us within 14 days of submitting their housing application. Since January 2016 we have agreed to 50% of our vacant properties being nominated to Stoke-on-Trent City Council to assist with their rehousing duties; previously the percentage was 10%. Alongside a reduction in turnover (2018 – 11%; 2017 - 13%; 2016 - 14%), the increasing percentage of nominations means that we have required less direct applications to be processed over the course of the current year. We continue to try and limit our exposure to welfare reform by monitoring the number of new tenants receiving full housing benefit. As at March 2018, 20% of new flat tenants received full housing benefit compared to 25% last year and 17.8% in 2016.

We define a failed tenancy as one where the tenant is evicted, where the tenancy is abandoned, and/or more than £200 in rent arrears has been accrued. Against a target of no more than 20% of failed tenancies, as at March 2018, we met the target for a second year, with 16% of tenancies categorised as failed (16% in 2017). The pressures of welfare reform and affordability in general still make this a challenging target to achieve.

During the year 121 tenancies ended, which is significantly lower than last year's figure of 140 terminations. We undertook 18 transfers of existing tenants to a different property (compared to 32 in the same period last year). The majority of transferring tenants have moved to a newly acquired house as part of our property purchase programme. There have been 11 evictions in the year, compared to 3 the year before. We have seen an average tenancy length of 6 years for those tenancies that have ended, pointing to the creation of generally more successful and sustainable tenancies.

In terms of tenancy management, the majority of our tenants (94%) have no tenancy management breaches. Most tenancy breaches relate to fairly low level issues such as dog fouling or rubbish in gardens. We continue to proactively use the probationary first year of tenancy to good effect. This year saw the fourth year of our customer reward scheme to recognise and reward customers who pay their rent on time and keep to their conditions of tenancy. In total, 65% (586) of customers who had been tenants for over a year were eligible for the reward; this was a slight increase on the 61% (527) of customers who qualified last year. In total 85% of eligible customers called into our office to collect their £25 reward card, a 1% decrease on the previous year. The total cost of the scheme was £12,000.

Asset Management

A pilot stock condition survey to 248 properties was completed in February 2018. The strategic objective of the survey was to provide independently sourced data which;

- Gathered property component information to help improve existing records and assist in future maintenance planning.
- Assisted in generating a forecasted maintenance cost schedule over a 30 year term.
- Provided assurance to external bodies on the condition of the properties and demonstrates that there is adequate financial provision for planned maintenance and improvement works to maintain the housing stock in a reasonable and lettable condition.
- Provided information to enable the energy efficiency of dwellings to be calculated.

The final report is due early in April 2018, initial feedback identified;

- The stock is considered to be in reasonable condition.
- No category 1 risks, as defined within the Housing Health and Safety Rating System (HHSRS), were identified, this is one measure which would define a property failing the Decent Homes Standard.
- The focus for the next 3 years should be on the renewal of boilers and kitchens.
- A review of the lifecycles of components indicates that with the exception of bathrooms they are achieving or exceeding those used in our forecasting and planning.

Health and Safety

The events in June 2017 at Grenfell Tower highlighted further the importance of health and safety, maintaining properties and the need to consider how tenants live their lives today. During the year we have commenced visits or structured telephone calls with our tenants aged over 75; and a further project was instigated to visit those who may require an Evacuation Plan in case of fire. These projects have instigated adaptations to be completed to a number of properties, referrals to other agencies and provided awareness to tenants on what actions to take in the case of fire.

In addition, during the year we have installed smoke alarms in the communal areas of our entire estate of 6 block flats, installed bin stores at a number of our blocks and tightened procedures for storing personal belongings in the communal areas of blocks as part of our ongoing work to improve safety in our flats.

Responsive Repairs

The number of repairs per property remains consistent with the previous year at 2.4. Customer satisfaction with the repairs and maintenance service overall was 94% and 91% for the last repair undertaken. The level of complaints in regard to the repairs and maintenance service has reduced with 7 having been received in the year compared to 15 last year.

Planned and Cyclical Repairs

The manufacturer used for the boiler replacement programme was changed at the start of the year following an analysis of repair data that illustrated that the previous model was difficult to operate, therefore incurring cost to the organisation and was not considered to be achieving the expected reliability.

The programme to test all the electrical systems in properties continues and is on target to complete by March 2020. We finished the year with 100% of our properties where access was granted with valid gas certificates, (99.6% inclusive of where access has been denied); the appropriate legal process has been initiated where access has been denied. At the end of the year every property had an in date gas certificate and an internal audit confirmed that each property had been attended in the year.

During the period we renewed 40 kitchens, 64 boilers, 48 bathrooms, 2 roofs and rewired one property. We continue to improve our properties when they become void or if a medical need is identified. This also included lowering 7 ceilings above the stairs in our first floor flats, removing 16 redundant airing cupboards and fitting 56 showers.

The total maintenance forecast, including services, was £1.430 million, with £1.394 million spent in the year. The total maintenance budget was not fully allocated due to the kitchen programme being delayed pending the completion of the stock condition survey.

Management of Void Properties
The average relet period increased from 17 days to 20 days in the year as a higher proportion of properties of properties needed substantial works to achieve the Lettable Standard. The target relet period for 2018/19 remains at 16 days and is forecast to reduce during the business planning period as the number of properties requiring substantial improvements declines once the kitchen renewal programme commences. The average void repair cost was £1,451 which is 12% more then budgeted; this is due to properties requiring a greater amount of works to achieve the Lettable Standard and the introduction of a new service provider in January 2018 which realised an initial increase in the average costs.

Customer satisfaction with their new homes has remained constant at 78% (76% the year before). The most common cause of dissatisfaction is the existing decoration of homes and floor coverings: our Lettable standard leaves decoration and floor coverings as tenant's responsibilities. There were 12 property refusals during the void stage of which only 1 related to the condition of the property and 0 were due to the amount of decoration they felt was required.

Acquisitions and Improvements
We completed the acquisition programme including an additional 5 units compared to the original plan and bought back 2 leaseholder flats in our blocks; in total 53 properties were acquired during the year. The yield of the properties purchased in 2017/18 is forecasted to exceed 6.5% after grant funding which exceeds the target of 5%.

Governance and Management
The Company is governed by a Board of Management who provide their time and commitment to us on a voluntary basis. The Board comprises an independent Chair, 5 independent members, 1 co-opted member, 1 councillor and 1 tenant. Board expertise is supplemented by co-optees where appropriate. The Board has the wide range of skills and experience necessary for governing an organisation of our size and structure. Our customer voice is heard through our Operations Committee whose purpose is to ensure that the services we provide are customer focussed, achieve excellent standards of performance and to provide us with appropriate challenges where things are not as good as they should be.

The Board reviews its performance on a biennial basis, with each Board member undertaking a structured appraisal process during the year. The Board has adopted the National Housing Federation's Excellence in Governance Code (2015) and has undertaken a compliance assessment against the provisions against the code and certifies that it complies with all of the code's standards. In addition, during the year, Campbell Tickell undertook a detailed review of our Governance arrangements ahead of our In-depth Assessment by the Regulator of Social Housing. All recommendations for improvements have now been completed. The Company is regulated by the Regulator of Social Housing and the Charity Commission. The Board certifies that it complies with the regulator's Governance and Financial Viability Standard.

During the year, we were subject to the In-Depth Assessment (IDA) by the Regulator of Social Housing, our initial rating being assessed as V1 for Viability and G2 for Governance. At the time of the IDA we were in the process of undertaking a significant review of our approach to risk management and stress testing; this work is continuing, with the aim being to achieve a G1 for governance, once the revised approach has been embedded in to the organisation.

Over 2017/18 we received 8 complaints, which is a reduction on the previous year when we received 18 complaints. Of these 8 complaints, 57% were upheld or partially upheld. This is compared to the previous year when 62.5% of the complaints were upheld or partially upheld. One complaint was referred to the Ombudsman during the year however, this was not upheld (2015/16: none and 2016/17: none). Repairs and maintenance were again the source of most complaints with 4 out of the 8 complaints being repair and maintenance related.

Growth Strategy
We received grant funding from Homes England towards the purchase and refurbishment of 22 long term rental properties during the year at a grant rate of £20,000 per property. This year also saw the start of our new Rent-to-Buy programme with the acquisition of 5 properties at a grant rate of £25,000 per property. In addition, we acquired a further 25 properties through

Stoke-on-Trent City Council's Affordable Homes Programme, at an average grant rate of £30,000 per property. In total we acquired 53 houses in the 2017/18 financial year.

The Board have approved a 4 year business plan which includes a growth strategy of acquiring 220 properties over the business planning period. The growth strategy involves a range of housing options, including Rent to Buy, Affordable Rent and a newbuild bungalow development. Taken as a whole, the growth programme helps to deliver our vision of extending the range of good quality housing choices available for people on below average incomes. Our programme will be funded through a mix of surpluses generated from our operational activity and loan finance.

Our Approach to Achieving Value for Money (VFM)

The Board recognises that achieving VFM is a fundamental part of the Association's business. It is a key strategic aim that underpins the whole business.

VFM is about maximising organisational objectives by having a comprehensive and strategic approach to VFM, delivering and demonstrating it. As always, the responsibility remains with the board.

Our working definition set-out below of VFM is based on the Regulator of Social Housing's VFM Standard, Code of Practice and incorporates the RSH VFM Metrics.

Achieving VFM should include achieving economy, efficiency and effectiveness in all areas of activity, taking into account the outputs achieved as well as input costs. Economy, efficiency and effectiveness are defined as follows:

- Economy: minimising the cost of resources used while having regard to quality.
- Efficiency: the relationship between the output from goods or services and the resources to produce them.
- Effectiveness: the extent to which objectives are achieved and the relationship between intended and actual impacts.

The revised reporting arrangements make it easier for stakeholders to make a judgement about EPIC's VFM performance, which in turn serves as a powerful incentive for our board to ensure that their approach to VFM is comprehensive, robust and delivers on the targets.

There is no longer a requirement to report itemised savings; consequently, in overall terms we aim to achieve a slight reduction in operating costs per unit, to be achieved through a combination of stock growth and operational efficiencies. This in turn will be supported by the modernisation of our patterns of communication and interaction with customers; through the procurement and implementation of a new ICT system allowing us to tailor the interactions between suppliers, each individual tenant and EPIC delivering a personalised and effective experience whilst delivering efficiencies.

Measurement of Gains

From this year, out goes the self-assessment and in comes the accounts-based reporting of regulatory financial metrics, complemented by our own corporate targets. Our own targets are just as important as the RSH metrics as they reflect the value of our social mission – in effect, the 'V' of VFM.The revised approach clarifies the measurement of VFM gains, evidencing the beneficial movement of the association's corporate measures alongside the RSH's standard metrics. These two outcomes of the revised approach are directly related to RSH objectives for reviewing VFM regulation:

- to enhance consistency, comparability and transparency of VFM reporting; and
- to ensure a strategic approach to delivering VFM is embedded within businesses.

EPIC will annually publish evidence in the statutory accounts to enable stakeholders to understand our:

a. Performance against our own key performance indicator targets and those metrics set out by the regulator, and how that performance compares to peers.
b. Measurable plans to address any areas of underperformance, including clearly stating any areas where improvements would not be appropriate and the rationale for this.
c. Where necessary this will be accompanied by a succinct focused commentary explaining our figures and drawing on other data where necessary to substantiate what we have said.

The 2017/18 accounts are based upon the requirements of the new Standard, however, due to publication dates of the revised VFM Standard and CoP it has not been possible to establish VFM benchmarking against our peers on the basis of the new metrics immediately; therefore for transparency purposes EPIC will publish a separate VFM report.

EPIC participated in the "Sector Scorecard Pilot" and as such are able to illustrate EPIC's performance against the sectoral medians and a defined peer group medians; and the WMBC medians for the year end 31.03.2017.

The following table illustrates the EPIC's performance for the year end 31 March 2018 against sectoral median results for year end 31 March 2017:

	Objectives	EPIC Actual Annual Performance 2016	EPIC Actual Annual Performance 2017	Sector Scorecard Pilot - Sector Median 2017	WMBM Report Median 2017	EPIC Forecast Annual Performance 2018	EPIC Actual Annual Performance 2018
RSH METRIC	**Growth and diversification of our housing offer**						
	Total stock	1066	1096	-	-	1145	1145
	Units owned & in management	1044	1074			1125	1125
	Leasehold properties	22	22			20	20
	Units acquired	28	32	40	-	53	53
	Units sold to existing tenants	0	2	-	-	2	2
	Percent of rent received from Housing Benefit	34.35%	33.19%	-	-	33.97%	30.73%
	Percent of tenants receiving Universal Credit	N/A	N/A	-	-	1.71%	2.05%
	Improving efficiency and value for money						
METRIC 1	Reinvestment	16.38%	16.74%	-	-	16.72%	22.52%
METRIC 2	New supply delivered social housing units	2.63%	2.92%	1.05%	-	4.19%	4.19%
METRIC 2	New supply delivered non social housing units	0.00%	0.00%	-	-	0.44%	0.44%
METRIC 3	Gearing - net debt (maximum 60%)	0.00%	0.00%	41.01%	-	9.90%	2.64%
METRIC 4	EBITDA (MRI) percentage	0.00%	0.00%	230.80%	-	4000.00%	3666.00%
	EBITDA (MRI) ratio	0.00	0.00	2.31	-	40.00	36.66
METRIC 5	Headline social housing cost per unit	£2,319	£2,043	£3,311	-	£2,610	£2,267
METRIC 6	Operating margin	27.10%	41.90%	30.99%	-	43.32%	37.30%
METRIC 7	Return on capital employed	5.40%	6.78%	4.00%	-	4.40%	4.99%
	Void loss as a percent of debit	0.62%	0.62%	-	0.48%	0.65%	0.58%
	Current arrears as a percent of debit	1.25%	0.97%	-	2.41%	1.19%	0.94%
	Percentage of housing applicants processed online	N/A	N/A	-	-	98.00%	95.00%
	Annual cash collection at the office	£112,481	£61,476	-	-	£16,000	£2,601
	Delivering high quality homes and services						
	Ratio of Responsive Repairs to Planned Maintenance	N/A	N/A	0.66	-	0.40	0.54
	Average length of tenancy prior to termination years	N/A	5	-	-	5	6
	Customer satisfaction with landloard services GN & OP	N/A	-	-	89%	96%	95%
	Percent of stock coming void per year	13.79%	13.00%	-	14.40%	11.50%	11.00%
	Failed tenancies (as a % of voids)	22.00%	16.40%	-	-	20.00%	16.00%
	Satisfaction with new home	77.00%	76.00%	-	-	78.00%	78.00%
	Properties with valid gas safety certificate	99.80%	100.00%	-	100.00%	100.00%	100%**
	Excellence in governance and future viability						
	Asset cover (minimum 125%)	0.00%	0.00%	-	-	500.00%	466.61%
	Interest cover (maximum 110%)	0.00%	0.00%	-	-	8500.00%	8359.00%

** 100% of our properties where access was granted with valid gas certificates, (99.6% inclusive of where access has been denied); the appropriate legal process has been initiated where access has been denied.

Areas of underperformance:

Percent of tenants receiving Universal Credit:

- We had 23 tenants in receipt of Universal Credit at March 2018, which was slightly over the forecast figure of 1.71%. We do not have any direct ability to control the number of tenants transferring onto Universal Credit, so this figure is used to inform our business rather than as a target.

Gearing - net debt (maximum 60%):

- As at 31 March 2018 we have drawn down less than was forecasted from the loan facility.

Operating margin:

- The variance in the actual operating margin of 37.30% to the forecast operating margin of 43.32% is primarily due the month 12 adjustment to the property depreciation charge. EPIC's performance compares favourably to that of the 2017 Sector Scorecard Pilot median of 30.99%.

Percentage of housing applicants processed online:

- We processed slightly less applications online than envisaged in the year; however the percentage processed digitally more than doubled from the previous year. There is still a segment of the population who either cannot or choose not to engage digitally. We are currently detailing our plans for moving most of our customer facing services to digital first and will be agreeing our approach with the Board during 2018.

Ratio of Responsive Repairs to Planned Maintenance:

- This measure is for monitoring purposes and for benchmarking against our peer group. The figure of 0.54 is 0.12 lower than the 2017 Sector Scorecard Pilot median exceeds of 0.66; EPIC's target of 0.40 was not achieved as the kitchen renewal programme did not commence as planned. Tenders have been issued and returned and works will start in 2018/19. The impact of this programme will be to increase the ratio of planned maintenance costs to responsive repairs.

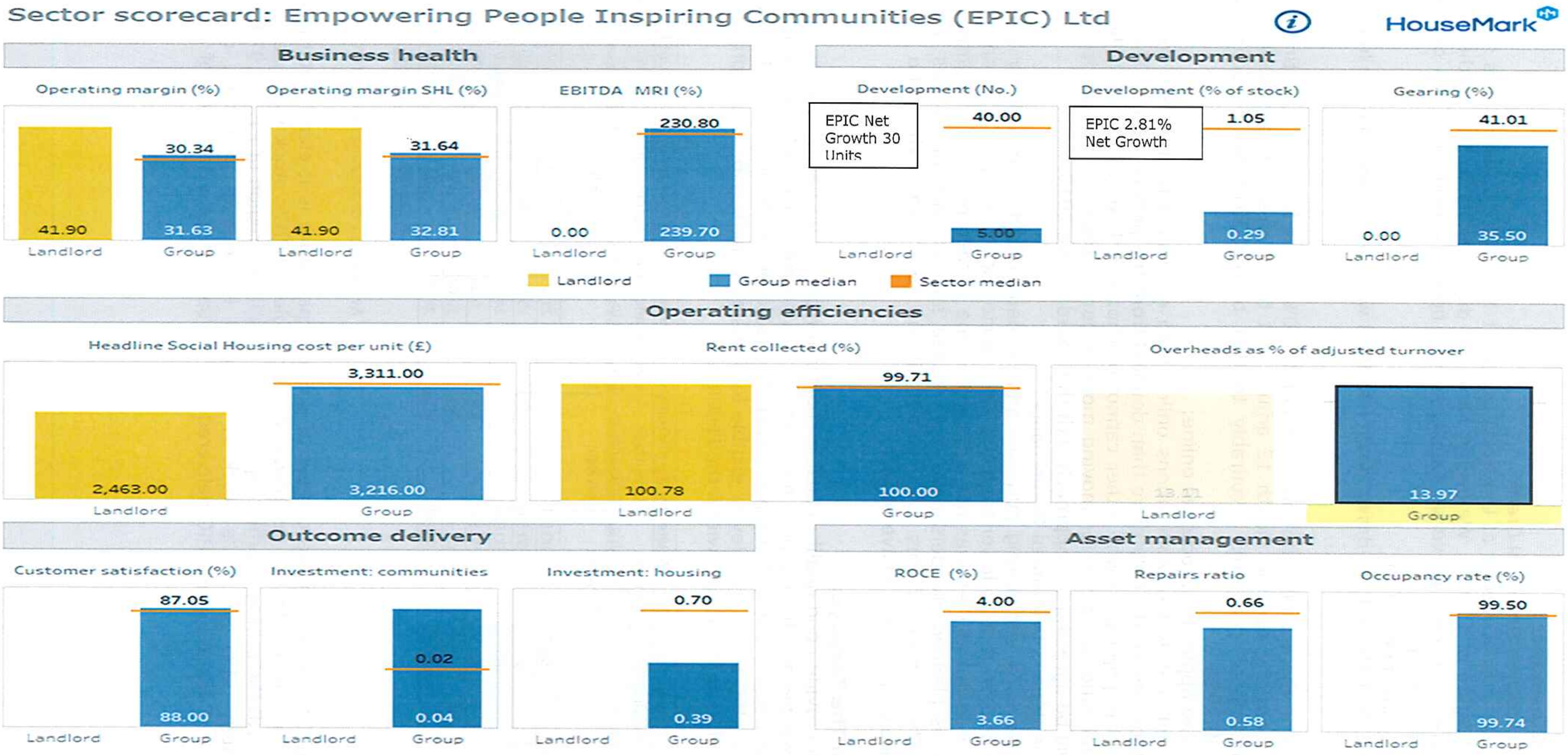
Direct Saving To The Taxpayer

EPIC continues to provide good quality housing choices for people on below average incomes. If housing benefit was needed to pay housing costs in the unregulated private sector it would be paid at the rate of Local Housing Allowance (LHA). The table below demonstrates the difference in rents applied by EPIC to the rent levels eligible for housing benefit (HB) in the private sector. As can be seen, EPIC's rents remain within the LHA levels.

EPIC Rents Compared to Current LHA Rates for the Staffordshire North Broad Rental Market Area - March 2018								
Property Type	Property Count	Average EPIC Rent	Maximum Local Housing Allowance	Percentage Difference to LHA Rate	Cash Variance EPIC Rent to LHA	LHA - Potential Cost to Taxpayer (Full HB @ LHA)	Epic Actual Annual Rent	Potential Saving To Taxpayer
1 Bed Flat	229	59.37	80.55	-26%	21.18	959,189	706,989	252,200
1 Bed House	4	75.09	80.55	-7%	5.46	16,754	15,619	1,136
2 Bed Flat	693	66.71	90.90	-27%	24.19	3,275,672	2,404,007	871,665
2 Bed House	99	85.34	90.90	-6%	5.56	467,953	439,309	28,644
3 Bed House	99	89.30	109.32	-18%	20.02	562,779	459,717	103,062
4 Bed House	1	115.55	139.84	-17%	24.29	7,272	6,009	1,263
Total Units	1,125					5,289,620	4,031,650	1,257,970
					Average Epic Rent Saving Against LHA			(0.24)

When considering EPIC assets in the context of public expenditure is it clear that these assets deliver year on year savings to the tax payer. For example if EPIC's stock was used solely for those in receipt of HB the savings to the taxpayer would be in the region of £1,257,970. In actual terms approximately 31% of EPIC's stock is occupied by tenants in receipt of HB. This demonstrates that in actual terms EPIC delivered a direct saving to the taxpayer of £288,364 in the current year.

The following table illustrates the EPIC's performance for the year end 31 March 2018 against sectoral median and defined peer group results for year end 31 March 2017:



Peer Group:	East & West Midlands
HA Type:	LSVT, Mixed Group & Traditional (General Needs
Stock Band:	<1,000 Units & 1,000 – 5,000 Units

Year-End 31.03.2017 – EPIC acquired 32 units; disposed of 2 Units.
32 Units represents 3% annual growth

Business Planning to Ensure Delivery of VFM
The Board and Executive Team develop a Business Plan, which normally has a four year timescale and review this each year. The Business Plan analyses our resources, our operating environment and identifies the key opportunities for growing the organisation and achieving efficiencies in our operations. As part of this process we develop a set of key performance indicators which allow us to measure our performance against objectives and also enable comparisons with other providers of social housing.

Key Objectives
EPIC has clear, up-to-date key objectives in place which:
- deal with the medium to long-term future of the organisation;
- include measurable targets based on outcomes, and
- are demonstrably linked to the aims and purpose of the organisation.

These overall objectives were translated into a series of targets for day-to-day performance (relating to objectives 2 and 4), and our growth programme (relating to objectives 1 and 3).

In 2017/18 our overall objectives were:
1. Growth and diversification of our housing offer
2. Improving efficiency and achieving value for money
3. Delivering high quality homes and services
4. Excellence in governance and future viability

Resource Usage
As part of the Business Planning process and budgeting approach we consider the resources needed to achieve our objectives, the expected returns of their achievement and the means we use to achieve objectives. In terms of how we consider our financial resources, we have split our cost base into three work streams:

1. Core operational costs such as management and maintenance of our housing stock
2. Investment in our stock to ensure its current and future viability
3. Growth through acquisitions

We use a range of techniques to identify costs, drive efficiency and measure value and return. For operational costs, we regularly review key processes and activities using techniques such as lean reviews, service design and the European Foundation for Quality Management (EFQM) model. Investments in our existing stock or in major new ventures are governed by project management disciplines which require business cases, risk management and post-completion analysis of benefits. Our growth programme is underpinned by a yield model which identifies a target return which is then used to calculate the purchase price and spend envelope for the refurbishment. The model is validated at regular intervals through audits.

Choosing the Best Ways to Meet Our Objectives
Delivering high quality services is at the heart of our ethos and our methods of service delivery have been subject to continuous review and evolution. For example, we are one of the few housing associations to visit most housing applicants in their homes before they join our list. This practice helps identify potential risks, it enables proper verification of identity and it sets up a personal relationship with prospective tenants. Over the long term this has resulted in a much reduced rate of tenancy failure, fewer instances of properties in poor condition and it has contributed to our exceptionally good record in arrears recovery. Similarly, our Board considered the merits and demerits of expanding through the acquisition of empty homes and new-build. Over the years we had built up considerable operating surpluses and given the low returns of our investments expansion was the right decision. However, housing demand in Stoke is volatile and several other housing providers have experienced problems in letting homes. The cost of new-build compared to the rentals we can achieve is also very high so we have to date adopted a strategic direction of expansion through the acquisition and refurbishment of existing homes, located within stable and viable neighbourhoods. To guide our process we developed a yield forecasting methodology which enables us to identify target yields for acquisitions and then monitor performance against the targets.

Measuring, Comparing and Reporting our Performance

At the start of each financial year we set out a series of operational and strategic targets which are reported monthly to the Management Team and key performance indicators are reported to each Board meeting.

Continuous Review and Learning

We have a system of continuous rolling review of our policies, practices and activities with this being a feature of Management Team meetings and meetings of the Audit Committee and Board. In the 2017/18 year we reviewed our governance arrangements; approach to risk management and financial forecasting as well as continuing to tender out key parts of the service. The table below gives examples of recent reviews and those completed in the 2017/18 year:

Subject	Date completed	Outcomes
Nomination and allocations audit	September 2016	Improved knowledge as to the impact of increasing the percentage of properties nominated from the Council from 10% to 50% of available properties.
Systems and data security review	November 2016	Increased knowledge and ensuring compliance with legislation and best practice.
Insurance Review	July 2016	Decrease in expenditure – the final approved tender was significantly under budget.
Review of mobile telephony	November 2016	Decrease in expenditure – Migrating to a SIM only deal on mobile phones.
Acquisition Programme	December 2016	Decrease in expenditure – Stoke-on-Trent City Council increase the grant funding available for the first two rounds of our acquisition programme.
Review of Energy Performance Certificate procurement	December 2016	Decrease in expenditure – a saving of £15 on each certificate as obtained.
Maintenance contracts	March 2016	Decrease in expenditure - three maintenance contracts were extended at current rates without any inflationary increase.
Review of Governance Arrangements by Campbell Tickell	January 2017	To provide external assurance and guidance about EPIC's governance arrangements and to review the issues arising from EPIC's governance review undertaken in 2015.
Assets & Liabilities Register by D.R.E & Co.	October 2017	Provide the Board with assurance that the control upon which the organisation relies to manage the Asset & Liabilities Register are suitably designed, consistently applied and operating effectively.
Review of Risk Management Policy & Framework	July 2017	Ensure that the risk register and risk framework are appropriate and proportionate to the Association's circumstances; identifying the key risks; the mitigation actions; and its sufficiency to provide assurance to the Board that the plans and strategies to mitigate and manage them are effective.
Asset Management Audit	January 2018	To identify any gaps in our information and offer assurance to the Board on the Big 5 of Health and Safety (gas, electric, asbestos, water and fire).
Review of Approach to Risk Management and Stress Testing by Campbell Tickell	February 2018	Provide the Board with assurance that the control upon which the organisation relies to manage the Risk Management and Stress Testing are suitably designed, consistently applied and operating effectively.
Validation of the Brixx Business Plan Model by Altair	March 2018	Validation of the Brixx business plan model to ensure That there are no significant errors in the 30 year planning model.

Where we are Now Compared to 2008

Operational and Strategic Performance

The table below indicates the progress we have made since 2008. We have chosen this year as a baseline because our acquisitions programme started in the 2008/09 financial year. Before 2008, and in the spirit of the policy regime at that time, we devoted considerable effort and resources, to the regeneration of Bentilee and the employability of our residents. We were very successful at attracting special funding and delivering against programme commitments. However, we reviewed our approach in 2008/09 and decided to emphasise the gradual growth of our stock and improvement of our housing offer. In 2010, the new Coalition government enabled us to bid for grant funding in our own right and our programme of acquisitions started in earnest. The table shows how we have kept operating costs down whilst increasing our stock and turnover, increasing our surpluses, which has enabled further growth.

	2007/08	2011/12	2015/16	2016/17	2017/18	2021/2022	Change Between 2008-2018	Change Between 2018-2022
Turnover	£3,218,000	£3,119,000	£3,738,000	£3,894,128	£3,963,512	£5,312,600	23%	34%
Number of Units At Year End	944	996	1,066	1,096	1,145	1,331	21%	16%
Number of Units At Year End In Management					1,137	1,331		
Operating Cost Per Unit	£ 2,974	£ 2,256	£ 2,632	£ 2,004	£ 2,288	£ 2,547	(23)%	11%
Operating Surplus Per Unit	£ 435	£ 874	£ 874	£ 1,550	£ 1,366	£ 1,444	214%	6%
Units Per Employee	27	31	56	59	60	70	122%	17%
Void Loss Per Unit	£ 52	£ 21	£ 22	£ 22	£ 20	£ 80	(61)%	296%
Employee Cost Per Unit	£ 1,047	£ 873	£ 775	£ 685	£ 608	£ 674	(42)%	11%
Responsive Repairs Per Unit	2.5	3.6	2.5	2.4	2.4	2.4	(4)%	0%

Customer Results

The table below provides a comparison of the EPIC STAR Survey 2013, the EPIC STAR Survey 2016, the National Smaller Housing Association Club (SPBM) 2015-16 and the Customer Satisfaction Survey 2017-18.

No.	Indicators	STAR 2013	STAR 2016	SPBM 2015/16	Customer Satisfaction Survey 2017-18
1.	Satisfied with quality of their home	92%	89%	92%	95%
2.	Satisfied that rent provides good value for money	97%	96%	91%	99%
3.	Satisfied with the repairs and maintenance service	62%	73%	87%	91%
4.	Satisfied with neighbourhood in which they live	88%	90%	94%	96%
5.	Satisfied that EPIC listens to tenants views and acts on them	84%	96%	85%	96%

Operational Performance

The targets for the year and our performance are outlined below:

Indicator	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Sector Results 2016/17
Average Void Relet Time (days)	Minor: 13 Major 27	16	16	16	17	Minor: 10 Major 31	23
Bad Debts As A % of Income	0.85%	1.00%	1.00%	0.86%	0.60%	0.00%	0.80%
Rent Collected as % of Rent Receivable	99.20%	99.30%	99.60%	99.40%	100.78%	99.07%	99.70%
Staff Turnover	5.0%	12.0%	12.0%	5.3%	16.6%	14.3%	Not available
Sickness Absence - Days per Employee	3.3	1.3	2.8	2.6	0.88	0.00	9.1

Specific VFM Measures Implemented During the Year

Changes to our Service Package

During the year we introduced the following changes to our service package.

Communication with Customers

As part of our move towards greater efficiency we now produce an electronic version of our customer newsletter, rather than the traditional paper version. Customers can subscribe to the newsletter via our website receiving a copy direct to their inbox, reducing both printing and postage costs. Additionally, we promote communicating with our customers by email where possible, thereby improving the speed of communication and reducing cost. During the year we changed our allocation process so that applications are made directly online unless the applicant does not have access to the internet.

Digital Service Transformation & Channel Shift

As the result of a successful OJEU Tender process EPIC are currently under going a major systems transformation project which will result in the delivery of new integrated management systems, Civica CX Housing and Civica Financials. The 5-year contract worth £387,600 was awarded to Civica in September 2017. Working in close partnership, EPIC and Civica will deliver phase 1 of the new systems by April 2018 and phase 2 by September 2018. These new systems will provide EPIC with a modern technology platform which will underpin and redefine the way in which we operate whilst also introducing new levels of flexibility allowing the organisation to quickly adapt to changes, efficiently and effectively.

The web-based Cx Housing platform is set to improve the tenant experience by extending online services and reducing manual data entry for employees, freeing-up time for housing officers to spend more time in the community. The new online tenant portal will make it much easier for tenants to report issues such as necessary repairs and make rent payments.

The new self-service offering will allow EPIC Housing's customers to communicate how and when they choose, while the central tenant database will provide frontline employees with information at their fingertips to ultimately deliver customer-led insights in the future. Cx Housing will also transform operations for EPIC's employees, bringing in mobile working for the first time. Accessible from any device at any time, it will help the team to work smarter, with access to real-time data when visiting customers as well as uploading any new contact and property information on the spot.

The centralised Customer Relationship Management element of the system will also help EPIC's office based employees to respond more quickly to customer queries and ensure more efficient service delivery, as well as providing a way to analyse and segment data to build better targeted tenant communications. As part of the phased roll-out, EPIC will implement Civica's Contractor Access Portal that will allow tenants to easily book appointments and check in on the status of a repair, and also enable all contractors and third parties to update and create a visible audit trail.

With powerful management reporting at its core, Civica Financials offers a comprehensive suite including general ledger, debtors, creditors, purchasing, asset management, budgeting and forecasting. By adopting Financials alongside the Housing Cx solution, EPIC will also have access to an integrated, web-based financial management system to gather a real-time view on rent payments and arrears.

Our Growth Programme

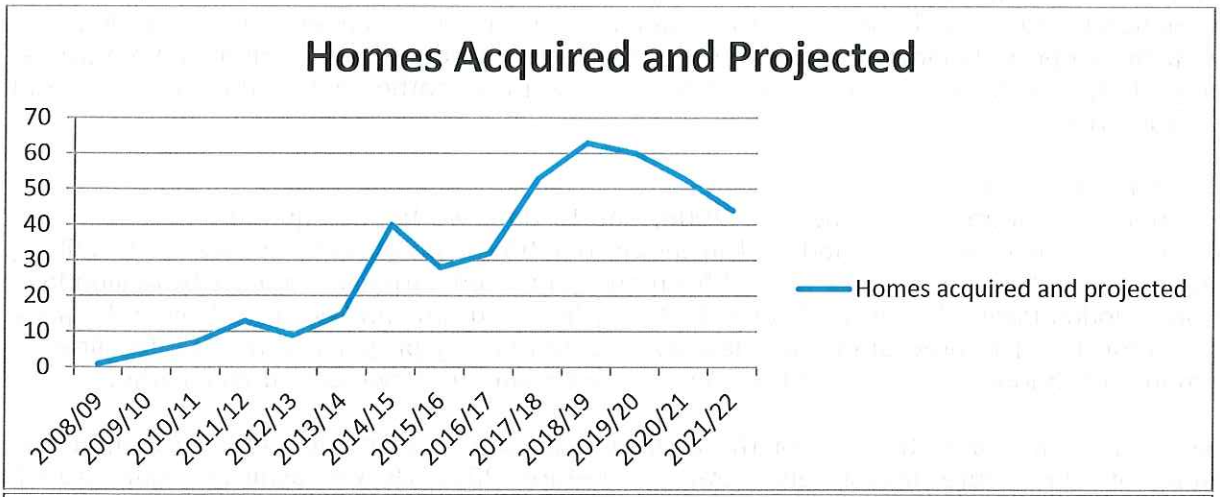
Our acquisition programme commenced in 2008, and to date we have acquired 202 properties. The gross investment over the period and including our future programme is over £40 million, comprising of £23 million investment funded from our generated surpluses and a £14 million loan facility from Triodos Bank plus an additional £10.5 million of grant funding from Homes England and local authorities. The programme has largely targeted empty properties, helping to alleviate blight in many neighbourhoods within Stoke, and more recently in Newcastle-under-Lyme.

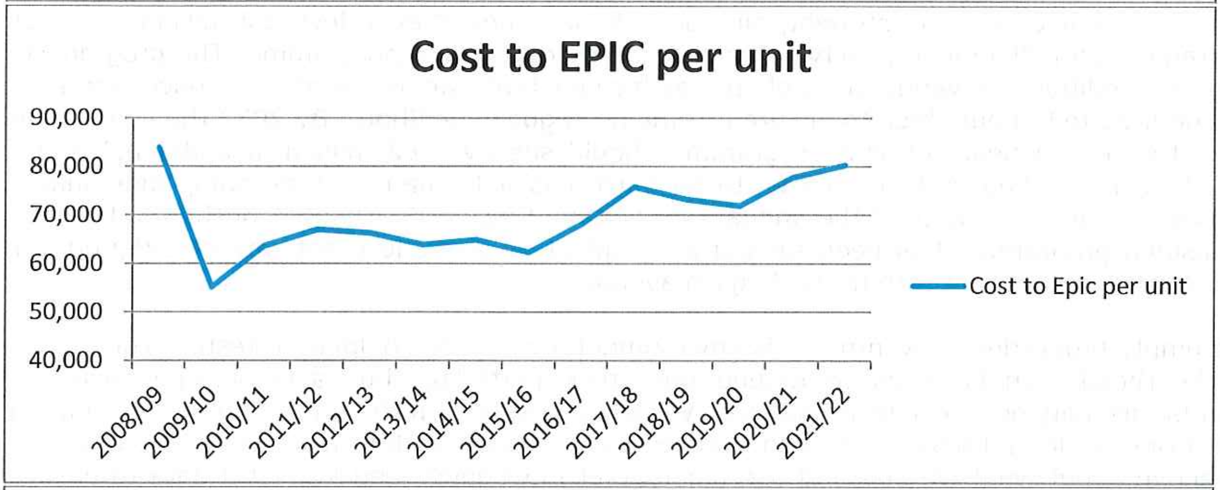
The graph overleaf indicates the size of the achievement and investment made, in conjunction with details of our future investment strategy. Before 2017/18 we achieved our growth programme without taking on any debt, although we have now drawn down £2 million from our newly arranged £5 million loan facility to finance the current year's programme. The programme also delivers additional revenue through rental income that can be used to service our loan finance and invested in our stock to ensure it remains in good condition. By 2022 the cumulative impact of the next 4 years growth programme should see over £2 million in additional rental income. In general, houses have proven to be much easier to manage than flats, additionally, they turnover at around one third the annual rate of flats. Since 2008/09 25% of the total cost of our acquisition programme has been funded by grant at an average grant rate of £25,000 per unit, which is a similar grant rate to the English average.

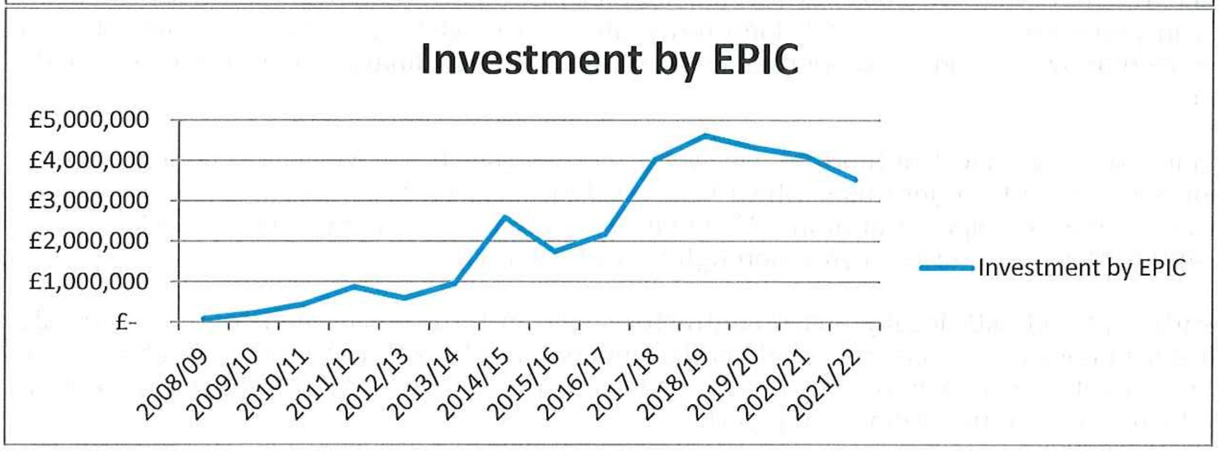
Bringing empty properties back into use is environmentally friendly, helping to restore confidence in neighbourhoods, enabling us to extend our stock portfolio, thus safeguarding customer retention by diversifying our housing options. We work closely with the empty property teams in Stoke and Newcastle and have developed excellent relationships with local estate agents. We are very selective about what we buy and use our market intelligence and key local data to ensure we invest in properties and areas with long term futures. Our yield model also ensures that we pay no more than we should for properties and can monitor their financial performance over the long term.

In financial terms, the local authorities we work with receive the new homes bonus for each empty home we bring back into use, which helps sustain local services. Our growth programme to date will generate receipts of around £78,000 in New Homes Bonus payments to Stoke Council and £22,400 to Newcastle-under-Lyme Borough Council over 4 years.

All our work is placed with locally based contractors, who in turn employ and train local people. Of significant importance is that this enables the new tenants to rent the properties at less than market rent levels. Feedback received from Homes England has been excellent and we are acknowledged as one of the Midlands top performers.







Strategic Outcomes

This is a more challenging aspect of VFM measurement. Whilst it can be easy to measure the cost of swapping to a supplier of generic goods or services for another low cost supplier, aspects of housing management can have attribution problems. For example, we use a model of pre-tenancy engagement for applicants who are dependent upon benefits. Our own research shows that these tenancies are often much better conducted than similar tenancies prior to the introduction of this scheme. However, we have also changed our methods of tenancy enforcement, arrears pursuance and tenancy selection, so differentiating cause and effect is difficult. We measure satisfaction with the engagement process (which is around 98%) and the tenancy conduct and the results are positive. We are now evolving our approach and introducing "Getting to Know You" sessions for applicants in place of our coaching programme.

Our biggest single item of expenditure in 2017/18 was on the acquisition and refurbishment of houses through our growth programme. In this instance we are measuring outcomes in two key senses; firstly, the yield that the rental income gives us as a percentage of the acquisition cost and secondly the effects on tenant retention i.e. the percentage of tenants who may have left us for another landlord or tenure as their families expand. Of the 53 properties we acquired 25% went to transferring tenants and in most cases the homes they left were let at minimum costs.

On average, our rents are 31% less than the private sector equivalent. This means that our lower rents help to save at least £288,000 per year on the Housing Benefit bill based on the number of customers we have claiming full housing benefit.

Our distinctive approach to housing management, based on rewarding customers for positive behaviours has produced the following outcomes:

- Longer lasting tenancies – our average tenancy length has increased from 4 to around 6 years.
- Lower levels of anti-social behaviour – 65% of our Assured Tenants were eligible for a £25 reward for having no tenancy breaches.
- Repairs per home – We have maintained a low level of responsive repairs required per home (2.4 per home per year) by investing in new kitchens, bathrooms and central heating systems.
- More working tenants – In 2017/18, 71% of our new customers were in work, compared to 64% in 2007/08.

Corporate Social Responsibility
As a locally based organisation, we ensure that we make a wider contribution to the social and economic health of our area. Some examples of our approach include:

John Flock Fund
The John Flock Fund (established by Epic in 2011) helps local residents develop their skills and employability. During the year we struggled to attract applicants to the fund and a full review of the fund will take place, with an emphasis upon alleviating hardship.

Supporting Local Contractors
We have a track record of using small, local contractors for elements of our maintenance programme. For example, we employ a small non-VAT registered firm to undertake external painting which boosts the local economy whilst also saving us 20% on the cost of the works. The electrical testing programme is completed by a local company and the assurance of work during the 3 year programme has enabled them to employ an apprentice.

Links with Local Schools
Our Housing Officers have attended partnership working meetings at the local secondary school, the Discovery Academy.

Operations Committee
Our Operations Committee involves Customers and Board Members in the design of services, the introduction of new initiatives, such as our customer reward scheme and organisational learning from complaints. The Committee is chaired by our Tenant Board Member to allow customer views to be directly communicated at Board level.

Getting to Know Housing Applicants
Applicants that have not managed a tenancy before or need some additional support are invited to take part in our "Getting to Know You" programme, which explores current issues, future aspirations and preparing for a tenancy. These sessions are delivered by members of the Senior Management Team and Officers in corporate and housing roles. This interaction with customers provides us with an unparalleled understanding of our customers' circumstances and helps us tailor our services to meet emerging needs.

Future Plans

Our Continuing Commitment to VFM

The 1% rent reduction, which came into effect in April 2016 has sharpened the focus of our VFM Strategy, resulting in all managers being challenged to produce efficiency plans.

The table below summarises the key plans around VFM over the forthcoming Business Planning period:

Measure	Expected financial or other benefit over period	Realisation date
Increasing stock	Reduces cost per unit of management	2016 onwards
Cessation of cash collection at the office	£1,000 (Staff time saving)	Achieved – cash is not routinely accepted.
Review of overall staffing arrangements	Increased flexibility, more efficient working practices and work packages undertaken appropriate to staff skills/salary rate.	April 2018
Implementation of new financial and housing management ICT system	More self service options for customers allowing digital by default services potentially resulting in staff cost savings.	2018
Increased reporting of repairs electronically	Reduced staffing costs	2018
Reducing refusals on lettings from 35% to 17.5%	£1,000 (Staff time saving)	March 2020
Reducing re-let times to an average of 14 days	£2,787 (Void loss saving)	March 2020
Moving contractors onto bulk e-invoices	£1,000 (Staff time saving)	March 2020

Over the course of the 2017/18 financial year we plan to complete ongoing VFM reviews in the following areas: the actual yields against projected yields for acquired properties; the financial performance of existing properties; our organisational structure; our new housing management and financial systems; banking arrangements; audit arrangements; risk management and improving how we report to the Board.

Our Business Plan

The Business Plan for 2018-2022 commits us to:

- Extending the range of good quality housing choices available for people on below average incomes.
- Delivering an intelligent housing service which creates value for the household and the wider community.

We intend to grow our stock portfolio from the current total of 1125 units to 1345 units by March 2022. This growth will primarily be accomplished through the purchase and refurbishment of existing properties for rent; with a particular focus on helping families into owner occupation through our Rent to Buy programme. The growth programme is realistic and achievable, it is to be funded by the existing £5 million loan facility with Triodos Bank, and a further £9 million variation to this facility, which is required to be in place by Quarter 3 of 2018/19. The interest payable will have the effect of further reducing the yields, on an individual property basis.

Over the coming years we intend to continue to transform many aspects of our management strategy and to ensure that we make the best use of ICT in our interactions with customers.

We are aware of the trend towards mergers and consolidation within the social housing sector. We are not complacent about our right to exist and understand that for us to have relevance within the local housing market we must ensure that our offering is different and that the quality and cost of our housing is competitive. Our track record of innovation, delivery against programmes and excellence in housing management demonstrates the value of small, locally based housing associations which are capable of swift responses to market opportunities and understand the dynamics of housing at neighbourhood levels.

Statement of the Board's Responsibilities in Respect of the Accounts

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

In preparing these accounts the Board is required to:-

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

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

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

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

Statement on the System of Internal Control

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

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

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

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

Identification and Evaluation of Key Risks

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

Overall Control Procedures

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

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

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

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

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

The Board confirms that there is an ongoing process for identifying, and managing significant risks faced by the Company. The key risks identified are categorised as operational risks and strategic. Some examples of key risk exposures include:

- Staff capacity.
- Ensuring finance is in place to deliver the growth programme.
- Volatility of the housing market in Stoke-on-Trent.
- Affordability of our housing products.
- Delivery of our growth programme contractual commitments.
- Major implementation of new housing and finance ICT systems.
- Introduction of Universal Credit and impact on income collection rates.

If appropriate, action is taken to further monitor and understand emerging or crystallising risks, with regular updates and progress against corrective, or action plans, an example would be the updates to the Audit Committee in the last 12 months on the introduction of Universal Credit.

The risks are comprehensively evaluated and reviewed when formulating and updating the business plan, and incorporate the main pillars of risk associated with our activities and operating environment.

EPIC undertakes stress testing as an integral part of the business planning, performance monitoring and risk management process, to explore the vulnerabilities in the business plan and assess the association's financial tolerances.

The stress testing process includes both macro-economic risks and specific organisational risks; and considers a range of scenarios, focusing on the risk, or combinations of risks, that would be deemed to have the most significant impact on the business plan. Financial provision is then made in the business plan to ensure that should some of the risks materialise, separately or in combination the business plan could absorb the impact.

Projections for key covenants and agreed financial "golden rules" are illustrated for each stress test and combination of scenarios.

EPIC will continue to have a grip on those risks that are within their direct control and demonstrate a robust approach to stress testing; and in doing so consider a wide range of scenarios and different risks both those in their direct control and those that are not, but will require mitigation. This process has been in place throughout the year under review, up to the date of the annual report and accounts, and is regularly reviewed by the Board.

Employment and Equal Opportunities
Employee information is set out in notes 8 & 9 of the financial statements. The Company is committed to the principles of equal opportunities and undertakes regular refresher training on equality and diversity for all staff.

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

Statement of Compliance
The board confirms that this Strategic Report has been prepared in accordance with the principles set out in Para 4.7 of the 2015 SORP for Registered Social Housing Providers.

By order of the Board

Mr J Gething
Chair J. Gething

Date: 26th June 2018

Independent Auditors Report To the Members of Empowering People Inspiring Communities Limited

We have audited the financial statements of Empowering People Inspiring Communities Limited "the company" for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, the Statement of Changes in Reserves, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015.

Basis for opinion

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

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Board is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the Board's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the strategic report and the Board's report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Board's report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or

- the financial statements are not in agreement with the accounting rec records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

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

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

Responsibilities of directors

As explained more fully in the Board's Responsibilities Statement set out on page 20 are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's web-site at http://www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor%E2%80%99s-responsibilities-for. This description forms part of our auditor's report.

David Hunter (Senior Statutory Auditor)
For and on behalf of
BEEVER AND STRUTHERS
Statutory Auditor
St George's House
215/219 Chester Road
Manchester
M15 4JE

Date: 26.6.2018

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Turnover	1/2	**3,974,307**	3,917,039
Operating costs	2	**(2,494,069)**	(2,213,749)
Gain on disposal of property, plant and equipment	22	**18,083**	3,726
Operating surplus		**1,498,321**	1,707,016
Interest receivable		**1,274**	5,512
Interest and financing costs	5	**(51,531)**	(16,000)
Surplus before taxation		**1,448,064**	1,696,528
Taxation		**-**	-
Surplus for the year after taxation and total comprehensive income		**1,448,064**	1,696,528

The results relate wholly to continuing activities and the notes on pages 30 to 48 form an integral part of these accounts.

STATEMENT OF FINANCIAL POSITION

	Notes	Year Ended 31 March 2018 £	Year Ended 31 March 2017 £
Fixed assets			
Tangible fixed assets	10	**28,851,455**	23,666,090
Investments in subsidiary	11	**1**	1
		28,851,456	23,666,091
Current assets			
Trade and other debtors	12	**290,870**	203,668
Investments	13	**13,523**	513,397
Cash and cash equivalents	13	**1,332,437**	1,257,499
		1,636,829	1,974,564
Less: Creditors: amounts falling due within one year	14	**820,166**	518,018
Net current assets		816,663	1,456,545
Total assets less current liabilities		**29,668,119**	25,122,637
Creditors; amounts falling due after more than one year	15	**(5,552,140)**	(2,523,945)
Total net assets		**24,115,979**	22,598,692
Reserves			
Revaluation reserves		**10,354,848**	10,524,624
Income and expenditure reserve		**13,761,131**	12,074,068
Total Reserves		**24,115,979**	22,598,692

Company registration number 3333405.

The financial statements on pages 26-48 were approved and authorised for issue by the Board on 26th June 2018 and were signed on its behalf by:

Chair

J. GETHING

Secretary

L. GIBBS

STATEMENT OF CHANGES IN RESERVES

	Income & Expenditure Reserves	Revaluation Reserve	Total
	£	£	£
Balance at 31st March 2016	**10,130,540**	**10,699,674**	**20,830,214**
Surplus 2016/17	1,696,528	-	1,696,528
RTA Property Disposals – (Reversal of revaluation posting on transition)	-	71,950	71,950
Transfer between reserves (excess depreciation)	247,000	(247,000)	-
Balance at 31st March 2017	**12,074,068**	**10,524,624**	**22,598,692**
Surplus 2017/18	**1,448,064**	**-**	**1,448,064**
RTA Property Disposals **	**-**	**69,224**	**69,224**
Transfer between reserves (excess depreciation)	**239,000**	**(239,000)**	**-**
Balance at 31st March 2018	**13,761,132**	**10,354,848**	**24,115,980**

**The revaluation reserve movement of £69,224 this year relates to the transfer out of the revaluation reserve for the 2 properties that were sold via the Right to Acquire (RTA). These were acquired prior to the transition date to FRS102, which was 1st April 2014, and as such the difference between the cost of purchase and refurbishment and the value of existing social housing use, was posted to the revaluation reserve on transition.

STATEMENT OF CASH FLOWS

	Year ended 31 March 2018 £	Year ended 31 March 2017 £
Net cash generated from operating activities (see Note i)	**2,108,063**	**2,200,861**
Cash flow from investing activities		
Purchase of tangible fixed assets	(5,849,719)	(3,250,908)
Proceeds from sale fixed assets	163,000	152,000
Grants received	1,253,628	724,392
Interest received	1,274	5,512
Cash flow from investing activities	**(4,431,817)**	**(2,369,004)**
Cash flow from financing activities		
Interest paid	(7,000)	(16,000)
Interest element of finance lease rental payment	2,000,000	-
Capital element of finance lease rental payments	(94,183)	-
Repayment of borrowing		-
Subtotal	**1,898,817**	(16,000)
Net change in cash and cash equivalents	**(424,937)**	(184,143)
Cash and cash equivalents at beginning of the year	**1,770,896**	1,955,039
Cash and cash equivalents at end of the year	**1,345,960**	1,770,896

Cash flow from operating activities		
Operating surplus	1,448,064	1,696,528
Adjustments for non-cash items:		
Depreciation of tangible fixed assets	609,657	530,330
Increase/(decrease) in bad debt provision	7,230	(6,818)
Decrease/(increase) in trade and other debtors	(94,433)	(17,537)
Decrease/(increase) in trade and other creditors	265,612	67,503
Pension costs less contributions payable	(81,000)	(53,000)
Adjustments for investing or financing activities:	-	-
Proceeds from the sale of tangible fixed assets	(19,079)	(5,455)
Government grants utilised in the year	(33,714)	(21,178)
Interest payable	7,000	16,000
Interest received	(1,274)	(5,512)
Net cash generated from operating activities	**2,108,063**	2,200,861

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

Principle Accounting Policies

Legal Status
Empowering People Inspiring Communities Limited is incorporated under the Companies Act 2006 as a company limited by guarantee without share capital and is registered with the Regulator of Social Housing in England as a Private Registered Provider as defined by the Housing and Regeneration Act 2008 and the Charity Commission.

Principal Accounting Policies

(a) Basis of Accounting
The financial statements have been prepared in accordance with applicable United Kingdom Accounting Generally Accepted Accounting Practice (UK GAAP) and the Statement of Recommended Practice for registered housing providers: Housing SORP 2014. The Association is a Public Benefit Entity and has applied the Public Benefit Entity Section of FRS102.

The financial statements comply with the Housing and Regeneration Act 2008 and the Accounting Direction for Private Registered Providers of Social Housing 2015. The accounts are prepared on the historical cost basis and are presented in sterling £'000 for the year ended 31 March 2018.

The financial statements have been prepared in compliance with FRS102.

(b) Going Concern
The Association'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 Association have led to a reassessment of the Association's business plan. No significant concerns have been noted and we consider it appropriate to continue to prepare the financial statements on a going concern basis.

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

a. **Categorisation of housing properties**
The Association has undertaken a detailed review of the intended use of all housing properties. In determining the intended use, the Association has considered if the asset is held for social benefit or to earn commercial rentals. The Association has determined that all property is held for social benefit.

b. **Impairment**
Impairment is recognised where the carrying value of a cash generating unit exceeds the higher of the net realisable value or its value in use. The Association has identified a cash generating unit for impairment assessment purposes at a property unit level.

Reviews for impairment of housing properties are carried out when a trigger has occurred and any impairment loss in a cash generating unit is recognised by a charge to the Statement of Comprehensive Income.

In 2015 the government announced a change in rent policy which resulted in a material impact on the net income expected to be collected in the future for housing properties and they have assessed that this represents a trigger for impairment review.

Following a trigger for impairment, impairment tests are performed based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on available data from sales transactions in an arm's length transaction on similar cash generating units (properties) or observable market prices less incremental costs for disposing of the properties. The value in use calculation is based on either a depreciated replacement cost or a discounted cash flow model. The depreciated replacement cost is based on available data of the cost of constructing or acquiring replacement properties to provide the same level of service potential to the Association as the existing property.

The cash flows are derived from the business plan and do not include restructuring activities that the association is not yet permitted to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. Following the assessment of impairment, no impairment losses were identified in the reporting period.

c. **Pension and other post-employment benefits.**

Until May 2016 staff were on various schemes, depending on when they joined the organisation; including, a final salary scheme, career average earnings and defined contribution. The final salary scheme and career average earnings schemes closed in May 2016.

The pension scheme offered from May 2016 being a defined contribution scheme.

The table below shows the minimum contribution levels set by law, and the dates when they increase:

Legal Minimum Contribution Amount	Employee Contribution*	Employer Contribution	Total Minimum Contribution
Before April 2018	1%*	1%	2%
April 2018 – March 2019	3%*	2%	5%
From April 2019	5%*	3%	8%

As EPIC pays an employer contribution of 5%; employees are required to pay a reduced contribution in order to maintain/attain the minimum contribution level; up to an optional maximum of 5% per annum.

The cost of defined benefit pension plans and other post-employment benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long term nature of these plans, such estimates are subject to significant uncertainty. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in the respective currency with at least AA rating, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The underlying bonds are further reviewed for quality, and those having excessive credit spreads are removed from the population bonds on which the discount rate is based, on the basis that they do not represent high quality bonds. The mortality rate is based on publicly available mortality tables for the specific sector. Future salary increases and pension increases are based on expected future inflation rates for the respective sector. Further details are given in note 9.

(d) Other key sources of estimation and assumptions:

a. **Tangible fixed assets.**

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

(e) Turnover

Turnover represents rental income receivable, amortised capital grant, revenue grants from local authorities and for its investment function Homes England, and other income and are recognised in relation to the period when the goods or services have been supplied.

Rental income is recognised when the property is available for let, net of voids.

(f) Service charges

Service charge income and costs are recognised on an accruals basis. The Association operates both fixed and variable service charges on a scheme by scheme basis in full consultation with residents. Where variable service charges are used the charges will include an allowance for the surplus or deficit from prior years, with the surplus being returned to residents by a reduced charge and a deficit being recovered by a higher charge. Until these are returned or recovered they are held as creditors or debtors in the Statement of Financial Position.

Where periodic expenditure is required a provision may be built up over the years, in consultation with the residents; until these costs are incurred this liability is held in the Statement of Financial Position within long term creditors.

(g) Loan interest costs

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

Loan finance issue costs

These 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, plus increases to account for any subsequent amounts amortised. 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 account in the year in which the redemption took place.

(h) Taxation

The Company gained charitable status on 2 April 2008 and therefore its general activities fall outside the scope of the United Kingdom Taxation legislation. The Association is exempt for VAT purposes.

(i) Housing Properties

Tangible fixed assets are stated at deemed cost, less accumulated depreciation. The Association has elected to use a previous GAAP valuation of the housing properties as deemed cost on transition to FRS102.

Freehold land and leasehold properties are not depreciated.

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

The association depreciates freehold housing properties by component on a straight-line basis over the estimated UELs of the component categories.

UELs for identified components are as follows:

	Years
Housing Structure	100
Roof	60
Windows	25
Bathrooms	30
Kitchens	20
Boilers	15
Heating Distribution Systems	30
Electrical Rewires	30

All properties and land are freehold.

Other Tangible Fixed Assets
Depreciation is charged on other tangible fixed assets on a straight-line basis over the expected economic useful lives which are as follows:

	Years
Freehold Offices	50
Office furniture	10
Office equipment	4
Tools and equipment	2
Computer equipment	2
Solar panels	25

Freehold land held for development is not depreciated.

The Association has elected to use a previous GAAP valuation of the freehold offices as deemed cost.

(j) Capitalisation of Interest and Administration Costs
No interest or administration costs are capitalised. There is potential to capitalise administration costs if directly attributable to development.

(k) Property managed by other parties
Where the Association carries the majority of the financial risk on property managed by other parties, income arising from the property is included in the Statement of Comprehensive Income Account.

The assets and associated liabilities are included in the Association's Statement of Financial Position.

(l) Leasing
Payments for operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the term of the lease.

(m) Investments
Investments held in subsidiaries are stated at cost less accumulated impairment and are included in fixed assets. Current asset investments include cash and cash equivalents invested for periods of more than 24 hours. They are recognised initially at cost and subsequently at fair value at the reporting date. Any change in valuation between reporting dates is recognised in the statement of comprehensive income.

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

(p) 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.

(q) Social Housing Grant and Government Grants
Where acquisitions have been financed wholly or partly by social housing and other grants, the amount of the grant received has been included as deferred income and recognised in turnover over the estimated useful life of the associated asset structure (not land), under the accruals model.

SHG must be recycled under certain conditions, if a property is sold, or if another relevant event takes place. In these cases, the SHG can be used for projects approved by Homes England. However, SHG may have to be repaid if certain conditions are not met. If grant is not required to be recycled or repaid, any unamortised grant is recognised as Turnover. In certain circumstances, SHG may be repayable, and, in that event, is a subordinated unsecured repayable debt.

(r) Non-monetary government grant
On disposal of assets for which non-monetary government grants are held as liabilities in the Statement of Financial Position, the unamortised amount in creditors is derecognised and recognised as income in the Statement of Comprehensive Income.

(s) Recycling of capital grant
Where Social Housing Grant is recycled, as described above, the SHG is credited to a fund which appears as a creditor until used to fund the acquisition of new properties, where recycled grant is known to be repayable it is shown as a creditor within one year.

(t) Disposal Proceeds Fund (DPF)
Receipts from the sale of SHG funded properties less the net book value of the property and the costs of disposal are credited to the DPF, this creditor is carried forward until it is used to fund the acquisition of new social housing.

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

(v) Retirement benefits
The cost of providing retirement pensions and related benefits is charged to management expenses over the periods benefiting from the employees' services.

The disclosures in the accounts follow the requirements of Section 28 of FRS 102 in relation to multi-employer funded schemes in which the Association has a participating interest.

Contributions payable under an agreement with SHPS to fund past deficits are recognised as a liability in the Association financial statements calculated by the repayments known, discounted to the net present value at the year ended using a market rate discount factor of 1.72% at 31 March 2018, 1.33% at 31 March 2017 and 2.06% at 31 March 2016. The unwinding of the discount is recognised as a finance cost in the Statements of Comprehensive Income in the period incurred.

(w) Reserves policy
The Company is able to freely utilise the revenue reserves to further its objectives. In line with our approved business plan, we are currently utilising our reserves for acquiring and refurbishing properties for rent at affordable levels. When reviewing any opportunities we need to ensure that whilst fulfilling the Company's objectives and aims that they are also financially viable in the longer term.

(x) Financial Instruments

The company has elected to apply the provisions of section11 'Basic Financial Instruments' and section 12 'Other Financial Instruments' FRS102 in full to its financial instruments.

Financial Assets

Trade and other debtors

Trade and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment loss.

A provision for impairment of trade debtors is established where there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in profit or loss for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial Liabilities

Trade and other creditors

Trade and others creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price less any amounts settled.

All loans held by the Association are classified as basic financial instruments in accordance with FRS102.

Derecognition of financial assets and liabilities

A financial asset is only derecognised when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or is some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party. A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

1. Turnover, cost of sales, operating expenditure and operating surplus

	2018			
	Turnover £	Cost of sales £	Operating expenditure £	Operating surplus £
Social housing lettings (note 3)	**3,940,593**	**-**	**2,494,069**	**1,446,524**
Amortised government grant	**33,714**	**-**	**-**	**33,714**
Activities other than social housing	**-**	**-**	**-**	**-**
Total	**3,974,307**	**-**	**2,494,069**	**1,480,238**

	2017			
	Turnover £	Cost of sales £	Restated Operating expenditure £	Restated Operating surplus £
Social housing lettings (note 3)	3,895,861	-	2,213,749	1,682,112
Amortised government grant	21,178	-	-	21,178
Activities other than social housing	-	-	-	-
Total	3,917,039	-	2,213,749	1,703,290

2. Turnover and operating expenditure

	General Needs	
	2018	2017
Income	£	£
Rent receivable net of identifiable service charges	**3,828,572**	3,781,163
Service charges income	**111,991**	114,424
Net rental income	**3,940,563**	3,895,587
Sundry income	**30**	274
Total turnover from social housing lettings	**3,940,593**	3,895,861
Amortised government grants (Note 17)	**33,714**	21,178
Turnover from social housing lettings	**3,974,307**	3,917,039
Operating expenditure		
Management	**1,193,183**	1,075,631
Service charge costs	**113,594**	112,733
Routine maintenance	**441,502**	380,200
Major repairs expenditure	**143,765**	129,341
Bad debts	**13,769**	12,917
Depreciation of Housing Properties (Note 7)	**588,256**	502,927
Operating expenditure on Social Housing Lettings	**2,494,069**	2,213,749
Operating surplus from Social Housing Lettings	**1,480,238**	1,703,290
Void Losses	**22,949**	24,141

3. Accommodation owned, managed and in development

	2018 No. of properties Owned	**2018 No. of properties Managed**	2017 No. of properties Owned	2017 No. of properties Managed
Social Housing				
Under Management at the end of the year:				
General needs housing – Social Rent	953	-	952	-
– Affordable Rent	151	-	103	-
– Intermediate	5		5	
– Leasehold	20	-	22	-
General needs housing – In development	8	-	6	-
	1,137	**-**	**1,088**	**-**

4. Accommodation managed by others

EPIC owns property managed by other bodies.

	2018 No of properties	2017 No of properties
General needs – Social Rent	**8**	8

5. Interest and financing costs

	2017 £	2017 £
Deferred benefit pension charge	**7,000**	11,000
Loan arrangement fees	**24,673**	5,000
Loan Interest Payable	**19,858**	-
	51,531	16,000

6. Surplus on ordinary activities

The operating surplus is stated after charging/(crediting):-	**2018 £**	2017 £
Auditors remuneration (excluding VAT):		
Additional audit fees for work undertaken on the 2016/17 financial statements (excluding VAT):	-	7,366
Annual audit of the association financial statements	**10,650**	10,050
Fees payable to the company's auditor and its associates for other services to the association:		
Taxation compliance services	-	-
Other	-	-
Operating lease rentals – Office equipment	**4,166**	4,166
Depreciation of housing properties	**588,255**	502,927
Depreciation of other fixed assets	**21,401**	27,403

7. Key Management Personnel

	2018	2017
	£	£
The aggregate emoluments paid to or receivable by Directors and the executive management team	**298,011**	**282,361**
The pension contributions paid to the key management personnel	**14,162**	**13,792**
The emoluments paid to the highest paid Director excluding pension contributions	**106,847**	**105,788**

The Chief Executive is an ordinary member of the pension scheme. The pension scheme offered from May 2016 was a defined contribution scheme funded by annual contributions by the employer and employee. No enhanced or special terms apply. There are no additional pension arrangements. A contribution by Epic of £5,342 (2017: £5,756) was paid in addition to the personal contributions of the Chief Executive.

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

8. Employee information

	2018	2017
	No.	No.
The average number of persons employed during the year expressed in full time equivalents (35 hours per week) was:		
Office staff	**19**	18
Wardens, caretakers and cleaners	**-**	-
Total employees	**19**	18
Staff costs		
Wages and salaries	**602,000**	**551,127**
Social security costs	**56,249**	**51,904**
Other pension costs (Defined benefit & defined contribution treated as defined benefit)	**33,268**	**47,244**
Total employee costs	**691,517**	**650,275**
Aggregate number of full-time equivalent staff whose remuneration exceeded £60,000 in the period	**1**	-
£100,000 to £110,000	**1**	1

9. Pension obligations

Social Housing Pension Scheme

FOR THE PERIOD ENDING 31 March 2018
COMPANY: Empowering People Inspiring Communities Limited
SCHEME: TPT Retirement Solutions – Social Housing Pension Scheme

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

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

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

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

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

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

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

PRESENT VALUE OF PROVISION

	31 March 2018 (£000s)	31 March 2017 (£000s)	31 March 2016 (£000s)
Present value of provision	471	552	605

RECONCILIATION OF OPENING AND CLOSING PROVISIONS

	Period Ending 31 March 2018 (£000s)	**Period Ending** 31 March 2017 (£000s)
Provision at start of period	552	605
Unwinding of the discount factor (interest expense)	7	11
Deficit contribution paid	(82)	(79)
Remeasurements - impact of any change in assumptions	(6)	15
Remeasurements - amendments to the contribution schedule	-	-
Provision at end of period	471	552

INCOME AND EXPENDITURE IMPACT

	Period Ending 31 March 2018 (£000s)	**Period Ending** 31 March 2017 (£000s)
Interest expense	7	11
Remeasurements – impact of any change in assumptions	(6)	15
Remeasurements – amendments to the contribution schedule	-	-
Contributions paid in respect of future service*	*	*
Costs recognised in income and expenditure account	*	*

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

ASSUMPTIONS

	31 March 2018 % per annum	31 March 2017 % per annum	31 March 2016 % per annum
Rate of discount	1.72	1.33	2.06

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

FOR THE PERIOD ENDING 31 March 2018
COMPANY: Empowering People Inspiring Communities Limited
SCHEME: TPT Retirement Solutions – Social Housing Pension Scheme

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

DEFICIT CONTRIBUTIONS SCHEDULE

Year ending	**31 March 2018 (£000s)**	**31 March 2017 (£000s)**	**31 March 2016 (£000s)**
Year 1	86	82	79
Year 2	89	86	82
Year 3	74	89	86
Year 4	58	74	89
Year 5	60	58	74
Year 6	47	60	58
Year 7	33	47	60
Year 8	34	33	47
Year 9	18	34	33
Year 10	-	18	34
Year 11	-	-	18
Year 12	-	-	-
Year 13	-	-	-
Year 14	-	-	-
Year 15	-	-	-
Year 16	-	-	-
Year 17	-	-	-
Year 18	-	-	-
Year 19	-	-	-
Year 20	-	-	-

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

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

Please note that TPT Retirement Solutions is not authorised to provide advice to your organisation and the use of this tool by your organisation does not constitute advice.

This FRS102 on-line tool has been developed, in conjunction with Jardine Lloyd Thompson, to help you complete your statutory accounts and the documents you create using the tool are intended for your organisation's use only; you should consider taking appropriate advice in this respect.

This FRS102 on-line tool assumes deficit contributions are in line with the schedule detailed in the 'Deficit Contributions Schedule'. If actual deficit contributions over the accounting period are different then the disclosures will need to be adjusted accordingly. Where there is a change in the deficit contribution obligations (e.g. following agreement to a new recovery plan after a valuation), it assumes the change is effective at the end of the accounting period.

Neither Jardine Lloyd Thompson nor TPT accepts any liability in respect of the use of this on-line tool or for its use for any other purpose.

10. Tangible fixed assets

	Social Housing Properties for Letting Completed £	Social Housing Properties Purchased Not Completed For Letting £	Land and Property held for Development £	Freehold offices £	Office Furniture and equipment £	Total £
Cost						
Structure & Components at start of the year	**28,541,610**	**467,717**	**26,000**	**100,000**	**272,366**	**29,407,693**
Additions to properties acquired	**-**	**5,292,441**	**-**	**-**	**182,540**	**5,474,982**
Works to existing properties	**374,737**	**-**	**-**	**-**	**-**	**374,737**
Components replaced	**(133,176)**	**-**	**-**	**-**	**-**	**(133,176)**
Disposals	**(75,935)**	**-**	**-**	**-**	**(1,991)**	**(77,926)**
Transfers to Completed	**5,052,992**	**(5,052,992)**	**-**	**-**	**-**	**-**
At end of the year	**33,760,228**	**707,167**	**26,000**	**100,000**	**452,914**	**35,046,309**
Depreciation and impairment						
At start of the year	5,497,417	-	-	6,800	237,386	5,741,603
Charge for the year	588,255	-	-	1,700	19,701	609,657
Components replaced	(133,176)	-	-	-	-	(133,176)
Disposals	(21,238)	-	-	-	(1,991)	(23,229)
At end of the year	**5,931,257**	**-**	**-**	**8,500**	**255,096**	**6,194,854**
Net book value at 31/03/18	**27,828,970**	**707,167**	**26,000**	**91,500**	**197,818**	**28,851,455**
Net book value at 31/03/17	**23,044,193**	**467,717**	**26,000**	**93,200**	**34,980**	**23,666,090**

	2018 £	2017 £
Components capitalised	**374,737**	345,459
Amounts charged to expenditure	**143,765**	129,341

11.Fixed asset investments

	2018 £	2017 £
At start of the year	1	1
Additions in the year	-	-
At end of the year	**1**	**1**
Net book value at end of the year	**1**	**1**
Net book value at start of the year	**1**	**1**

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

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

12.Trade and other debtors

	2018 £	2017 £
Rent arrears	**65,800**	71,178
Less: Provision for bad debts	**(47,275)**	(53,204)
Less: Adjustment for net present value for arrears with repayment schedules	-	-
Other Debtors	**121,466**	151,071
Prepayments and accrued income	**150,879**	34,623
Debtors	**290,870**	203,667

All debtors are due within one year.

13.Cash and cash equivalents

	2018 £	2017 £
Money market investments	**13,523**	513,397
Cash at bank and in hand	**1,332,437**	1,257,499
Total	**1,345,960**	1,770,896

Included in the above are balances totalling £100,417 (2017:£99,628) which are held on trust for Leaseholders.

14.Creditors: amounts falling due within one year

	2018 £	2017 £
Trade creditors	**102,572**	115,739
Deferred capital grant (Note 16)	**33,714**	21,178
Rents and service charges paid in advance	**105,819**	94,373
Service charge balances held on behalf of leaseholders	**100,283**	99,628
Accruals and deferred income	**308,838**	88,972
SHPS pension agreement plan (Note 9)	**86,000**	82,000
Disposal proceeds fund (Note 24)	-	16,128
Recycled Capital Grant Fund	**20,000**	-
Loans and Overdrafts	**62,939**	-
Other creditors	-	-
Total	**820,166**	518,018

Loans are secured by housing properties, see note 25.

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

	2018	2017
	£	£
Deferred Capital Grant (Note 16)	**3,261,323**	2,053,945
Loans	**1,905,817**	-
SHPS pension agreement plan (Note 9)	**385,000**	470,000
Total	**5,552,140**	2,523,945

Loans are secured by housing properties, see note 25.

16. Deferred capital grant

	2018	2017
	£	£
At start of the year	**2,075,124**	1,371,910
Grant received in the year	**1,253,628**	724,392
Amortised in the year	**(33,714)**	(21,178)
At the end of the year	**3,295,037**	2,075,124
Amount due to be released < 1 year	**33,714**	21,178
Amount due to be released > 1 year	**3,261,323**	2,053,946
Total	**3,295,037**	2,075,124

17. Capital commitments

The table below shows the financial implications and sources of funding to deliver the signed contracts with Homes England.

	2018	2017
	£	£
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**19,489**	-
Capital expenditure that has been authorised by the Board but has not yet been contracted for	**15,388,660**	12,317,000
Capital commitment required by 2021	**15,408,149**	12,317,000
EPIC expects these commitments to be financed with:		
Triodos loan facilities in place & undrawn as at year end	**3,000,000**	5,000,000
Cash & equivalents (Above £650k cash minima as at 31/03/18)	**695,960**	520,000
Social housing grant (In line with spend)	**3,850,000**	2,990,000
Internally generated resources (I&E reserve)	**3,919,700**	3,807,000
Variation to Triodos loan	**3,942,489**	-
Total	**15,408,149**	**12,317,000**

18. Operating leases

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

	2018	**2017**
	£	**£**
Others		
In one year or more but less than two years	**4,166**	4,166
In two years or more and less than five years	**3,125**	7,291
In five years or more		-
Total	**7,291**	11,457

The lease agreements do not include any contingent rent or restrictions.

19. Contingent liability

If EPIC were to withdraw from all forms of the Social Housing Pension Scheme it has been calculated that our debt on withdrawal would be £4,641,605, as in 2017. We have no plans to exit from the scheme at the present time.

20. Grant and financial assistance

	2018	2017
	£	£
The total accumulated SHG received or receivable at 31 March:		
Held as deferred capital grant	**3,295,037**	2,075,124
Total	**3,295,037**	2,075,124

21. Related parties

The Board has a tenant member who holds a tenancy agreement on normal terms and cannot use their position to their advantage. Rent charged to the Tenant Board member was £3,386 (2017: £3,550). There is a credit balance on the account of £2 at the end of the year (2017: £Nil).

Epic Regeneration Services Limited, a company registered in England & Wales, is 100% subsidiary of the company. Epic Regeneration Services Limited was dormant throughout the current and previous financial period.

22. Profit and loss on disposal

Two houses have been sold in the current financial year under the Right to Acquire (RTA).

	2018	2017
	£	£
Sale Proceeds	**163,000**	152,000
Less:		
Associated selling fees	**(995)**	(1,728)
Transfer from revaluation reserve	**(69,223)**	(71,950)
Transfer to disposal proceeds fund	-	(16,128)
Recycled capital grant fund	**(20,000)**	-
Write out cost (NBV)	**(54,699)**	(58,468)
Profit on Disposal	**18,083**	**3,726**

23. Disposal proceeds fund

Two houses were sold in the year under the Right to Acquire (RTA), and as such the following disposal proceeds fund has been created.

	2018	2017
	£	£
Opening balance property disposal fund	**16,128**	-
Sale proceeds	-	152,000
Historic cost	-	-
Grant	-	-
Notional cost private finance	-	(133,030)
Less allowable expenses	-	(1,440)
Transfer to disposal proceeds fund	-	(1,402)
Transfer to Purchase of 39 Ubberley Road	**(16,128)**	-
Closing balance property disposal fund	-	**16,128**

24. Recycled capital grant disposal proceeds fund

	2018	2017
	£	£
Opening balance property disposal fund	-	-
Inputs: Grants recycled	**20,000**	-
Withdrawals	-	-
At the end of the year	**20,000**	-

Amount where the repayment maybe required within 1 year £20,000.

25. Loans

Introduction

During the financial year Epic secured a £5m loan facility with Triodos bank, and as at the year end 31st March 2018 has drawn down £2m. The loan is secured against part of EPICs housing stock, is over a 25 year term, and is currently on a variable interest basis, with the ability to fix, all or part at any point in the future.

Maturity of debt	2018	2017
	£	£
In more than one year but less than two years	**64,274**	
In more than two years but less than five years	**201,115**	
In greater than five years	**1,640,428**	-
Total	**1,968,756**	-

Interest rate risk:

Should rates rise more rapidly than anticipated EPIC have the ability to switch the existing and variation to the existing loan in whole; or in part, to a fixed rate to protect our future liability.

The Board at their meeting on 21 March defined their control in the event of significant changes in market conditions requiring the consideration of funds drawn and un-drawn being switched from a floating to fixed rate. The Board agreed that any change in the Bank of England interest rate is reported and the impact illustrated and that this be monitored via the Board reporting process.

Triodos have confirmed the anticipated timeframe of converting drawn funding from a variable rate to a fixed rate; and an indication of what the current fixed rate would be on the basis that "fixed rate cost of funds to be based on the swap ask rate published daily by ICAP Plc, plus a 0.1% fixed rate premium".

- In terms of switching to a fix rate, they require a weeks' notice.
- The indicative ICAP rates for 3, 5 & 10 years are set out below:
  - 3 Years: 1.269
  - 5 Years: 1.403
  - 10 Years: 1.552
- This would be added to the margin and the additional 0.1% fixed rate premium.
- (ICAP plc provides independent broking services to commercial banks, investment banks, and other liquidity providers that trade in the wholesale financial markets).

Interest rate exposure

EPIC Treasury Management & Investment Policy sets out that when looking at any aspect of interest rate exposure, it is important to remember that overall interest rate risk management is about reducing risk and increasing certainty. It is not about best guessing or predicting the way interest rates will move. Further borrowing may consist of a mixture of both fixed and variable interest rates; with an option to switch variable rates to fixed rates in the event of significant changes in market conditions.

Any borrowings will be determined following a financial review of the market views of the Bank of England (BoE), the BoE Monetary Policy Committee and Information Handling Service Economics.

The rate of interest payable when terms are agreed shall not exceed the rate of interest, which in the opinion of the Board, or the Association's advisors, represents the market rate of interest for borrowings of a similar amount and on similar terms, at that time. The Board will be notified of any significant changes in market conditions, which may impact on this.

The Board will provide direction to the Finance Director in regard to defining a trigger/control in the event of significant changes in market conditions requiring the consideration of funds drawn and un-drawn being switched from a floating to fixed rate.

Any sensitivity analysis will be applied to all variable rate borrowing and to any fixed term borrowing after its maturity date, using market forecast rates.

The Board must approve the use of hedging instruments subject to the Rules of the Association and the regulators guidelines/approval. In such cases a hedging strategy must be prepared and appended to the Treasury Management & Investment Policy, which must state the type of instruments to be used, the value limits, the counterparties involved and the periods for which they will be in place.

26. Financial instruments

The Associations financial instruments may be analysed as follows:

Financial assets	**2018**	**2017**
	£	**£**
- Trade receivables	**169,404**	52,596
- Other receivables	**121,466**	151,07`1
- Investments	**13,523**	513,397
- Cash and cash equivalents	**1,332,437**	1,257,499
Total financial assets	**1,623,307**	1,974,564

Financial liabilities	**2018**	**2017**
	£	**£**
- Loans payable	**1,968,756**	-
- Trade creditors	**757,227**	518,018
- Other receivables	**3,646,323**	2,523,945
Total financial liabilities	**6,372,306**	3,041,963

Financial assets measured at amortised cost comprise trade debtors, other debtors and cash and investments.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, other creditors and accrued expenditure.

27. Post balance sheet events

Signed Credit Backed Heads of Terms for Triodos Loan Facility (subject to contract) in acceptance of the loan facility for £9,000,000 (nine million pounds), together with a cheque for the commitment fee of £10,000.

Registered Office:
131 - 141 Ubberley Road
Bentilee
Stoke-on-Trent
ST2 0EF
Telephone: 01782 252575
Fax: 01782 252571
mailbox@epichousing.co.uk
www.epichousing.co.uk

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

Date: 26 June 2018

Dear Sirs

This representation letter is provided in connection with your audit of the financial statements of Empowering People Inspiring Communities Limited("the Company") for the year ended 31 March 2018 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the results and financial position of the Company in accordance with The Companies Act 2006, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) together with relevant social housing legislation

We confirm, to the best of our knowledge and belief the following representations:

1. We are responsible for the preparation of financial statements in accordance with The Companies Act 2006, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) together with relevant social housing legislation which give a true and fair view of the financial position of the Company as of 31 March 2018 and of the results of its operations and its cash flows for the year then ended and for making accurate representations to you.

2. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

3. We have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.

4. We have disclosed all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements and these have been disclosed in accordance with the requirements of accounting standards.

5. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of accounting standards.

6. All events since the balance sheet date which require disclosure or which would materially affect the amounts in the financial statements have been adjusted or disclosed in the financial statements.

7. We confirm that the financial statements are free of material misstatements, including omissions. All misstatements identified during the audit were corrected.

8. We confirm that, having considered our expectations and intentions for the next twelve months, and the availability of working capital, the Company is a going concern. We confirm that the disclosures in the accounting policies are an accurate reflection of the reasons for our consideration that the financial statements should be drawn up on a going concern basis.

9. All accounting records and relevant information have been made available to you for the purpose of your audit. We have provided to you all other information requested and given unrestricted access to persons within the entity from whom you have deemed it necessary to obtain audit evidence / request information. All other records and related information including minutes of all management and shareholders' meetings have been made available to you.

10. All transactions undertaken by the Company have been properly reflected in the accounting records and are reflected in the financial statements.

11. We acknowledge our responsibility for the design, implementation and maintenance of controls to prevent and detect fraud. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

12. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves management or employees who have significant roles in internal control, or others, where fraud could have a material effect on the financial statements.

13. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

14. We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the Company conducts its business and which could affect the financial statements. The Company has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance.

15. We confirm that we have disclosed to you the identity of the Company's related parties and all related party relationships and transactions relevant to the Company that we are aware of.

16. The Company has satisfactory title to all assets, and there are no liens or encumbrances on the assets except for those disclosed in the financial statements.

17. There are no liabilities, contingent liabilities or guarantees to third parties other than those disclosed in the financial statements.

18. The Company has at no time during the year entered into any arrangement, transaction or agreement to provide credit facilities (including loans, quasi loans or credit transactions) for directors, nor to guarantee or provide security for such matters, except as disclosed in the financial statements.

We confirm to the best of our knowledge and belief that the above representations are made on the basis of enquiries of management and staff with relevant knowledge and experience and, where appropriate, of inspection of supporting documentation sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that so far as we are aware, there is no relevant audit information needed by you in connection with preparing your audit report of which you are unaware. Each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that you are aware of that information.

Yours faithfully

Signed on behalf of the Board of Directors by:

....(Signature)

J.C. GETHING ....(Director)

26 June 2018..(Date)

Audit Management Letter

Empowering People Inspiring Communities Limited

Year Ending 31 March 2018

19 June 2018

BEEVER AND STRUTHERS

CHARTERED ACCOUNTANTS AND BUSINESS ADVISORS

Contents

Scope of the Audit Work

Our audit of the financial statements of Empowering People Inspiring Communities Limited (EPIC) (the "Association") is substantially complete. The purpose of this letter is to bring to your attention the findings from our audit. We appreciate that you will already be aware of the majority of the matters contained in this letter.

In order to comply with the provisions of the International Standard on Auditing (ISA) 260 – 'Communication with those Charged with Governance' we report to management on the findings of our audit, with particular reference to:

- views about the qualitative aspects of the Association's accounting practices and financial reporting;
- unadjusted misstatements;
- matters specifically required by other Auditing Standards to be communicated to those charged with governance (such as fraud and error);
- expected modifications to the auditor's report;
- the letters of representation;
- significant deficiencies in the accounting and internal control systems; and
- any other relevant and material matters relating to the audit.

We also take this opportunity to comment on the Association's performance for the year and to confirm our professional integrity, objectivity and independence.

We see effective communication with the Board as being a key part of our audit, and it is important that there is effective two way communication. We welcome any feedback or questions regarding the conduct of the audit process.

This report is not intended to cover every matter which came to our attention during the audit. We do not accept any responsibility for any reliance placed on it by third parties. Our procedures are designed to support our audit opinion and cannot be relied upon to identify any weakness in systems or controls which may exist.

We would like to take this opportunity to formally record our appreciation for the assistance and co-operation provided to us by the Finance Team who assisted us during the course of our audit.

Beever and Struthers

Key Audit Issues

The following table summarises the key audit issues we identified as requiring specific consideration and the audit procedures we undertook in relation to them.

Audit issue per Audit Plan Overview	Audit Procedures and Results
Business planning, treasury management and going concern The Association's business plan is crucial in the ongoing management of the business and in demonstrating the viability of the organisation. Recent developments in the sector arising from providers having inadequate financial viability and a lack of awareness of their financial viability, has seen the RSH require associations to undertake stress testing on their business plans as part of its Regulatory Framework. A statement of compliance with the Regulatory Framework is required in the financial statements. Whilst there is no change in the framework in which registered providers operate, the regulatory arm of the Homes and Communities Agency (HCA) has been relaunched as the Regulator of Social Housing (RSH) in January 2018. At the same time, the HCA's investment functions have also been rebranded as Homes England. Both Homes England and RSH will legally remain as separate identities within the HCA until legislation is passed for the regulator to be a standalone body. The Association has a £5m loan facility in place with Triodos and as at 31st December 2017 had drawn down £2m in total to fund its acquisition programme.	During the audit we performed a review of the Association's Treasury Management Procedure and Strategy and no issues were identified. The 2018/19 budget and underlying assumptions were reviewed as well as the longer term budgets and cash flow forecasts to support the Management's going concern assessment. We performed a review of the business plan and the reasonableness of key assumptions and obtained evidence to support the assumptions made within the plan. We reviewed the Association's statement of compliance with the Regulator of Social Housing's Regulatory Framework and are satisfied that the Association complies with the regulator's Governance and Financial Viability Standard. Agreed the loans held by the Association to external confirmations from the funders; and Obtained supporting documentation for loan movements, interest payments and any receipts in the year. No issues were identified.
Financial performance As part of our audit planning we will review the management accounts to date to gain an understanding of the issues specific to the Association for the year and to highlight significant variances from budget.	We have compared the financial performance in the management accounts to the previous period's financial statements and gained an understanding of the business. This enabled us to form an expectation on the period for the current year and explanations were obtained for any significant variances. A summary is provided on pages 7 and 8.

Key Audit Issues

Audit issue per Audit Plan Overview	Audit Procedures and Results
Asset management and acquisition Asset Management is of significance in terms of planning future works to ensure that tenant homes are adequately maintained. The Association is continuing its acquisition programme and has acquired 37 properties during the first nine months of 2017/18. The total number to be purchased during 2017/18 is expected to be 53 which also includes buying back two properties from leaseholders. The Board approved the requirement to take out a loan facility of £5m during 2017/18 to help fund the programme. Since the Audit Plan Overview was presented, the Association has acquired 53 properties and disposed of 2, resulting in a net growth of 51 properties for the year ending 31 March 2018. The Association adopted the valuation obtained at 31 March 2014 as deemed cost under the transitional arrangements of FRS102 and has implemented systems to record the data required for component accounting on an on-going basis.	We agreed a sample of material additions on housing properties to supporting documentation, for example completion statements and the replacement of components. No issues were identified; The movements in the housing properties note and the closing balances to the housing properties register were reviewed and agreed; We performed a proof in total test on the depreciation charge for the year; A check that accruals have been made for development expenditure incurred up to 31 March 2018 but not invoiced was carried out. The disclosures for the capital commitments were amended to confirm the capital expenditure that has been contracted for but has not been provided for in the financial statements was disclosed. This amounted to £19,489 for 2018 in respect of refurbishment orders. We carried out a review of maintenance and voids expenditure and the controls over ordering and authorisation of repairs expenditure and assurance was obtained that it is accounted for correctly. We reviewed the Association's capitalisation policy for expenditure on works to existing properties and tested a sample of expenditure transactions to ensure they were accounted for correctly. No issues were identified. The maintenance accruals were reviewed to ensure costs have been allocated to the correct period and no issues were identified. There were two Right to Acquire Property Sales in the year. These transactions were reviewed and agreed that they have been accounted for correctly. From the sale proceeds the Association has been able to allocate £20,000 into the Recycled Capital Grant Fund. Management has assessed whether there were any indicators of impairment at the reporting date of 31 March 2018. We agree with their assessment that there are no indicators of impairment and therefore no charge has been made.
Revenue and Debtors The Association's performance on rent arrears and bad debts is a key audit area given the major changes to the benefits system that have come into force in the last few years, including the Benefit Cap, the Bedroom Tax and the roll out of Universal Credit, As part of the ongoing welfare reforms, the Government announced a 1% 4 year rent cut in the July 2015 Budget which started in the 2016/17 financial year.	We agreed the year end arrears balance to the rent control accounts reconciliation and ensured that appropriate cut off procedures have been applied. We assessed the adequacy of last year's provision compared to the rent losses experienced in the current year. We agreed the calculation of the provision against current and former tenant rent arrears to the methodology; and performed a proof in total test on the rent income for the year. No issues were identified.

Key Audit Issues

Audit issue per Audit Plan Overview	Audit Procedures and Results
Assessment of Fraud Risk ISA 240 “The Auditor’s responsibility to consider fraud” requires us to consider the risk of fraud and the impact that this has on our audit approach. There is a presumed significant risk of fraud in two areas: **Revenue Recognition** Material misstatements due to fraudulent reporting often result from an overstatement of revenues, for example through premature revenue recognition or recording fictitious revenues. The auditor therefore presumes that there are risks of fraud in revenue recognition and considers which types of revenue may give rise to fraud risks. For the Associaion the main income stream is rental income. The processing of rent charges is highly automated and rent changes are restricted, and for the majority of tenures will be reduced by 1% in line with the July 2015 Budget announcement. We therefore have initially assessed the risk of fraud in the recognition of rental income as low. **Management Override** Under ISA 240 there is a presumed risk of management override of the system of internal controls. Material misstatements can arise from management overriding the controls which are in place or by manipulating the results to achieve targets and the expectations of the stakeholders.	Our audit is designed to provide reasonable assurance that the accounts are free from material misstatement whether caused by fraud or error. In particular, we reviewed revenue recognition and management control override. As part of the audit planning: • We met management to discuss fraud related risks and the risk of material misstatement in the financial statements; and • We reviewed the fraud register. During the audit fieldwork, we assessed and tested the controls over income from rents and service charges and other material sources of income. We also assessed and tested the controls over cash and debtors and the segregation of duties in place and performed an analytical review on the material income streams and tested the cut off on the rent debit. Our audit did not highlight any errors in relation to revenue recognition. As part of our year-end audit work we reviewed material year end journals. The journals were agreed to supporting documentation and appeared reasonable. Our review of key estimates and judgements in the financial statements, indicated that they had been made on a reasonable basis and showed no evidence of management bias.

Overview of Financial Statements

Statement of Comprehensive Income

	2017 £'000	2016 £'000	
Turnover	3,974	3,917	Turnover has increased by £57k compared to last year. This is as a result of the net increase of 51 two and three bedroom properties whose rent is set at affordable rent rates. This is higher than the average rent for the existing one and two bedroom properties and offsets the 1% statutory rent decrease.
Operating expenditure	(2,494))	(2,214)	Operating expenditure has increased by £280k, or 13%. This is due to an increase of £118k in management costs, £62k routine maintenance costs and £15k major repairs associated with the acquisition of the new properties during the year. There was also a charge of £86k for depreciation for the year.
Gain on disposal of property, plant and equipment	18	4	The gain on disposal relates to the sale of two Right to Acquire properties in the year.
Interest receivable	1	6	Interest receivable on the Associations cash balances.
Interest and finance costs	(52)	(16)	Interest payable has increased by £36k due to new borrowing taken out during 2017/18 (Triodos loan of which £2m was drawn down during the year).
Total comprehensive income	1,448	1,697	

Overview of Financial Statements *continued*

Statement of Financial Position

	2018 £'000	2017 £'000	
Tangible fixed assets	**28,851**	**23,666**	The carrying value of tangible fixed assets has increased by £5,185k compared to last year. This is due to the acquisition of 53 properties during the year and was slightly offset by the depreciation charge for the year.
Current assets	**1,637**	**1,975**	Cash balances for the association have decreased due to using £500k from the money market investments to partially fund the housing purchasing programme.
Creditors: amounts falling due within one year	**(820)**	**(518)**	Creditors have increased by £302k compared to the prior year due to increases in namely capital accruals of £64k, accruals for maintenance works of £95k, Triodos non-utilisation fee of £15k, and interest on the new loan falling due within one year of £63k.
Creditors: amounts falling due after more than one year	**(5,552)**	**(2,524)**	The increase in Creditors: amounts falling due after more than one year has resulted from £1,200k increase in deferred capital grant, £85k reduction in SHPS agreement plan and £1,900k Triodos loan balance.
Reserves	**24,116**	**22,599**	The movement on last year agrees to the surplus for the year of £1,448k plus the movement on the revaluation reserve for the RTA property disposal of £69k.

Independence

Ethics and Independence

In the UK and Ireland, auditors are subject to the ethical requirements of the Financial Reporting Council's 2010 Ethical Standards for Auditors.

International Standard on Auditing (UK and Ireland) 260 *Communication with those Charged with Governance* and good practice require us to confirm the following to those charged with governance:

- We confirm that we are independent.
- We confirm that we are unaware of any relationships which may bear on our objectivity and independence.
- We have provided details below of any non-audit services provided to EPIC.
- We confirm that we comply with the requirements of the Financial Reporting Council's Ethical standards in relation to the supply of non-audit services by an audit firm.

Note: Where we do identify any relationships which bear on our objectivity and independence, we would identify the threats to auditor independence that these create, any safeguards that have been put in place and why they address such threats or reduce them to an acceptable level.

We would also discuss any audit independence issues with EPIC management at the planning meeting.

The Audit Committee should take an active role in considering whether the external auditor's independence might be impaired by the provision of non-audit services.

Non Audit Services

We have not provided any non audit services to EPIC during 2017/18.

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Qualitative Aspects of Accounting Practices & Financial Reporting *continued*

Accounting Policies

FRS102 requires that entities should review their accounting policies regularly to ensure that they are appropriate to its particular circumstances for the purposes of giving a true and fair view. The Association's Board plays a key role in this process.

We have reviewed the Association's accounting policies and key judgement areas as stated in the financial statements in detail and confirm that we judge them to be appropriate to provide relevant, reliable, comparable and understandable information.

Accounting Estimates

Key accounting estimates in the financial statements concern housing property depreciation rates, the level of bad and doubtful debt provision against tenant arrears and impairment provisions. We confirm that estimates have been made appropriately in line with our knowledge of the Association and the industry, and are disclosed satisfactorily in the financial statements.

Financial Statement Disclosures

We confirm that we judge the disclosures throughout the financial statements to be neutral, consistent and provide sufficient clarity to the user.

Significant Matters Arising from the Audit

There were no significant matters arising from the audit that were discussed, or subject to correspondence with management.

Timing of Transactions

Our audit work confirmed that material transactions were recorded in the correct accounting periods. Accruals and prepayments were made for material items.

Going Concern

The financial statements have been prepared on a going concern basis. We have evaluated your assessment of the Association's ability to continue as a going concern and the disclosure made in the Board report and we do not disagree with your assumption.

Strategic Report and Member Board Reports

For this year our work included additional work on the narrative reporting sections of the financial statements as a result of the application of the revised International Standard on Auditing 720 – The Auditor's Responsibilities relating to Other Information. We confirmed that there is no material inconsistency between it and the financial statements.

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Management Representation Letter and Audit Opinion

In accordance with ISA 580, we obtain written representation from management that they acknowledge their responsibility for preparing the accounts and have made all information available to us.

We presented our management representation letters, for signing at the same time as the financial statements.

There are no specific matters on which we have requested Board representation to support the conclusions and evidence provided for our audit opinion.

We expect to provide an unqualified audit opinion on the financial statements for the Association for the year ended 31 March 2018.

We also require signed letters of representation to be provided with the approved accounts.

We require the following information in order to complete our audit work:

- External confirmation from Triodos for the loan balance at 31 March 2018.

Audit Adjustments

Materiality

Our audit work is based upon an assessment of materiality to ensure there is no material misstatement contained in the financial statements. In assessing materiality we take into account both the materiality of the class to which the balance belongs and the overall impact of the balance on the income and expenditure account and balance sheet.

ISA 260 requires us to report to management on all uncorrected misstatements identified during the audit, and to include in this report how we have calculated materiality, and any misstatements identified during the audit which have been corrected.

Materiality may be revised throughout the course of the audit, where we become aware of information during the audit that would have resulted in a different determination of materiality at the outset.

We are not required to report on corrected or uncorrected misstatements we believe are clearly trivial.

Our assessment of materiality was based on the first draft accounts received prior to the audit and calculated using a proportion of turnover, result for the period, net assets and liabilities and gross assets.

We used a different materiality figure for the Statement of Financial Position (‘SOFP’) to the Statement of Comprehensive Income (‘SOCI’) items to reflect the Association’s large asset base. Triviality is the value above which we report errors to you. A summary of the final assessment of materiality is as follows

SOCI Materiality £’	SOFP Materiality £	Triviality £
66,009	350,285	17,514

Audit Adjustments

Corrected Misstatements

Disclosure adjustments

The accounts presented for audit were of high quality and largely compliant with FRS102, SORP 2014 and the Accounting Direction 2015. A number of presentational adjustments were made to the financial statements over the course of the audit, following discussion with the audit team. These included:

- The additional disclosure notes for Financial Instruments and the Recycled Capital Grant Fund;
- Amendments to the Capital Commitments Note to state the capital expenditure that has been contracted for but has not been provided for in the financial statements;
- Additional bench marking information to be disclosed to ensure the Association met the requirements of the new Value For Money Standard which applied from 1 April 2018 for reporting purposes.

Adjustments to surplus

We are pleased to report there are no adjustments to the surplus as presented in the draft accounts.

Uncorrected Misstatements

There are no uncorrected misstatements identified as a result of our audit work in the financial statements that are not of a trivial nature to the results of the Association.

Accounting and Internal Control Systems

ISA 265 requires that we report to those charged with governance any significant deficiencies in internal control that we identify in the course of our audit work. Significant deficiencies are those deficiencies that we have identified during the audit and concluded are of sufficient importance to merit being communicated to those charged with governance.

We are pleased to report that overall we found that the Association's systems and internal financial controls were operating effectively. There were no significant deficiencies identified as a result of our work, which is an extremely positive result.

There were also no such deficiencies identified in last year's management letter.

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