



Homes &
Communities
Agency

2017 Global Accounts of private registered providers



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Executive summary

The 2017 Global Accounts show that the sector invested £10bn in new housing supply (including social housing, as well as investment in properties for sale, and market rent) and £1.6bn in existing stock. Total investment of £11.6bn represents a 15% increase on 2016.

Investment in new and existing social housing properties for rent was £7.9bn. The sector continues to leverage its trading activity with investment more than double the underlying surplus for the year. Around £6.3bn was invested in new rental supply – an increase of 13% on 2016, and the sector reported the completion of 41,000 social homes.

The period ending March 2017 covers the first 12 months of a four-year period of rent reductions. Providers have implemented the 1% rent reduction on general needs units as required under the Welfare Reform and Work Act 2016. This has meant aggregate turnover did not increase, remaining at £20bn as in 2016.

To compensate for the rent reduction, the majority of providers have reduced costs. The largest reductions have been made in respect of spend on major repairs. Total major repairs' spending was £2.1bn in 2017, a 14% reduction, and management costs decreased by 9% to £2.6bn. We will continue to monitor expenditure on major repairs and expect providers to ensure that their properties continue to be appropriately maintained.

Excluding fair value gains resulting from merger activity, the consolidated surplus for the year was £3.5bn, an increase of £0.2bn on 2016. In 2017 there have been several mergers between provider groups. There have also been an increased number of group reorganisations in the year. The sector is consolidating and there are a small number of very large providers. Where one of these large providers undergoes significant change, it can affect the results at a sector level.

The increase in mergers and group restructures has affected the surplus reported in the year. The accounting treatment varies depending on the circumstances of the business combination. For a number of mergers in the year the fair value of the net assets of the transferring organisation are recognised as income in the recipient provider. The total net surplus reported, including these £0.6bn fair value gains, was £4.1 billion.

The underlying surplus and in-year-financial performance was again strong. Interest cover was 170% in 2017; this is consistent with the 2016 result. In 2017, debt increased by £2.9bn to £69.6bn; with total debt at 20 times the underlying surplus, strong interest cover is required to service existing debt. Interest and financing costs increased by 14% to £3.5bn in 2017; the increase was attributable to loan breakage costs in one provider. This robust financial performance is important as it allows the sector to fund continued investment, both in maintaining existing stock and in delivering new homes.

In 2017 properties held for sale increased by £1.2bn to £4.8bn. The vast majority of the balance related to land and properties under construction. This is a result of increased investment in the development of properties for sale.

In aggregate, financial performance is robust, which means the sector as a whole is well placed going into the final three years of the rent reduction and has the capacity to continue to invest in existing stock and new supply. However, the performance of individual providers varies significantly and is masked by the aggregation of data. Registered providers need to be able to respond to an increasingly uncertain and complex operating environment. The regulator monitors the financial position of all providers and where necessary engages with individual organisations to gain assurance that they are financially viable, well governed and able to deliver homes to meet a range of needs.

Introduction

The 2017 Global Accounts of Registered Providers (Global Accounts) provides a financial overview of the social housing sector based on an analysis of the regulatory returns of private registered providers. Within this publication, private registered providers of social housing (primarily housing associations) are referred to as 'providers'.

The social housing sector is diverse in both the size of providers that operate within it and the range of activities each undertakes. In total there are around 1,500 active providers, of which the majority have fewer than 250 homes. This publication is concerned with the financial analysis of large providers which own or manage at least 1,000 social homes, representing more than 95% of the sector's stock.

In comparison to previous years, there were an increased number of mergers and group restructures in 2017. These moves have reduced the number of providers included in the Global Accounts. In 2017, 319 providers managed more than 1,000 units; in 2011 the number was 366. Following the Housing and Planning Act 2016, the regulator's consent on mergers is no longer required¹. However, providers are required to notify the regulator of any merger or restructure. The regulator will engage with new entities to ensure that they continue to meet regulatory requirements.

In accounting terms, mergers and restructures are defined as business combinations. Under Financial Reporting Standard (FRS) 102, there are broadly two methods for accounting for business combinations: 'merger accounting' or as an acquisition². The use of the latter method by providers has a material impact on the Global Accounts in 2017. Where the accounting treatment affects the aggregate financial results, the effect is described in this document.

The provision of homes for rent is the main activity for the majority of providers. Many also provide homes for ownership, thereby generating income from the sale of homes. This type of activity exposes providers to a different risk profile to that for traditional renting and has changed the financial profile of a number of providers.

The majority of large providers are part of a group structure; these can include multiple registered providers and non-registered entities. The development of properties for outright sale and other non-social housing activity is often delivered by non-registered entities or joint ventures within group structures. The materiality of non-social housing activity delivered in this way has increased in recent years. This results in differences between the accounts prepared by registered entities (entity level) and those on a consolidated group basis (consolidated level). This publication presents results both at entity and consolidated level.

¹ The constitutional consents regime was removed as part of a package of deregulatory measures set out in the Housing and Planning Act 2016. The changes came into effect in April 2017, after the period covered in the Global Accounts.

²As public benefit entities, combinations between providers which cannot be classified as a merger are treated either as 'combinations that are in substance a gift' or as 'acquisitions'. Throughout this document the term 'acquisition method' is used to describe the effect of both approaches.

Further differences exist between providers in the degree that they provide specialist housing. Whilst the majority of providers have some supported housing or housing for older people, there are a small but significant number of primarily specialist providers. These providers face additional challenges in competing for care and support contracts from local authorities and other public bodies.

Part A of the Global Accounts presents a financial review of 2016/17. Part B includes the aggregate financial statements. Part C contains notes to the primary statements showing further detail of key entries and balances.

The 2016 financial statements were compiled under Financial Reporting Standard 102 (FRS102) and the Housing Statement of Recommended Practice 2014 (SORP 2014) for the first time. In 2017, the second year following adoption, a small number of providers restated 2016 figures in their financial statements. The 2016 figures referenced in the Global Accounts below have not been restated unless otherwise disclosed.

In 2016 the regulator published '[Delivering better value for money: understanding differences in unit costs](https://www.gov.uk/government/publications/delivering-better-value-for-money-understanding-differences-in-unit-costs)³' and released 'headline social housing unit' cost data. The 'headline' social housing unit cost data has been refreshed based on 2017 FVA⁴ submissions and is included in the Global Accounts data file released with this publication.

³ <https://www.gov.uk/government/publications/delivering-better-value-for-money-understanding-differences-in-unit-costs>

⁴ Annual account regulatory returns are known as FVAs

Part A – Financial review

Operating environment

For a number of years the sector has benefitted from a favourable economic climate. In the year ending March 2017 there are indicators that providers should be prepared for a period of more challenging conditions.

The year saw the implementation of the rent reduction, under which providers are required to reduce rents on general needs social housing properties by 1% per annum for four years⁵. The rent reduction replaces the previous policy linking rent increases to Consumer Price Index (CPI) inflation plus 1%. Rent from social housing lettings (SHL) accounts for more than 65% of turnover generated by the sector.

CPI inflation increased from 0.3% in April 2016 to 2.3% in March 2017⁶. Inflation is forecast to remain at or above 2% over the majority of the remaining rent reduction period⁷. With the decoupling of rent increases from inflation, it will be essential for providers to keep control over the impact of higher inflation on their costs if margins are to be maintained.

In aggregate, the housing market in England remained robust. In the year to March 2017, the average price of a new dwelling in England increased by 4%⁸. However, this was below the equivalent increase of 9% in the year to March 2016, and the number of residential transactions in 2017 decreased 14% compared to 2016⁹. In 2017 more than one third of the net surplus reported was attributable to sales, and properties held for sale increased by £1.2bn to £4.8bn. Although exposure to sales risk has increased in aggregate, development of properties for sale is concentrated in a small number of providers. More than three quarters of turnover from properties developed for outright sale is reported by 15 provider groups. Exposure to the housing market is a key risk for these providers to manage.

In the period covered by the Global Accounts, providers continued to benefit from low interest rates. Providers are primarily debt funded and fix interest rates (for more than one year) on approximately 70% of all borrowings. The Bank of England base rate fell from 0.5% to 0.25% in August 2016. The three-month London Interbank Offered Rate (LIBOR) also fell over the year, from 0.59% in April 2016 to 0.34% in March 2017¹⁰. Favourable interest rates will not continue indefinitely. An increase in LIBOR of 2% could theoretically increase interest costs by £400m per year. It is essential that providers effectively manage interest rate risk.

⁵ Low Cost Home Ownership units are exempted from the rent reduction. The rental income from supported units was exempted from the rent reduction in 2017. The rent reduction will apply to supported units from 2018.

⁶ [UK consumer price inflation: Mar 2017](#), Office for National Statistics

⁷ [Economic and fiscal outlook – November 2017](#), Office for Budget Responsibility

⁸ [UK House Price Index \(HPI\) for March 2017](#), HM Land Registry

⁹ [Monthly property transactions completed in the UK with value of £40,000 or above](#), Office for National Statistics

¹⁰ Three month London Interbank Offered Rate (LIBOR) www.theice.com

Financial highlights

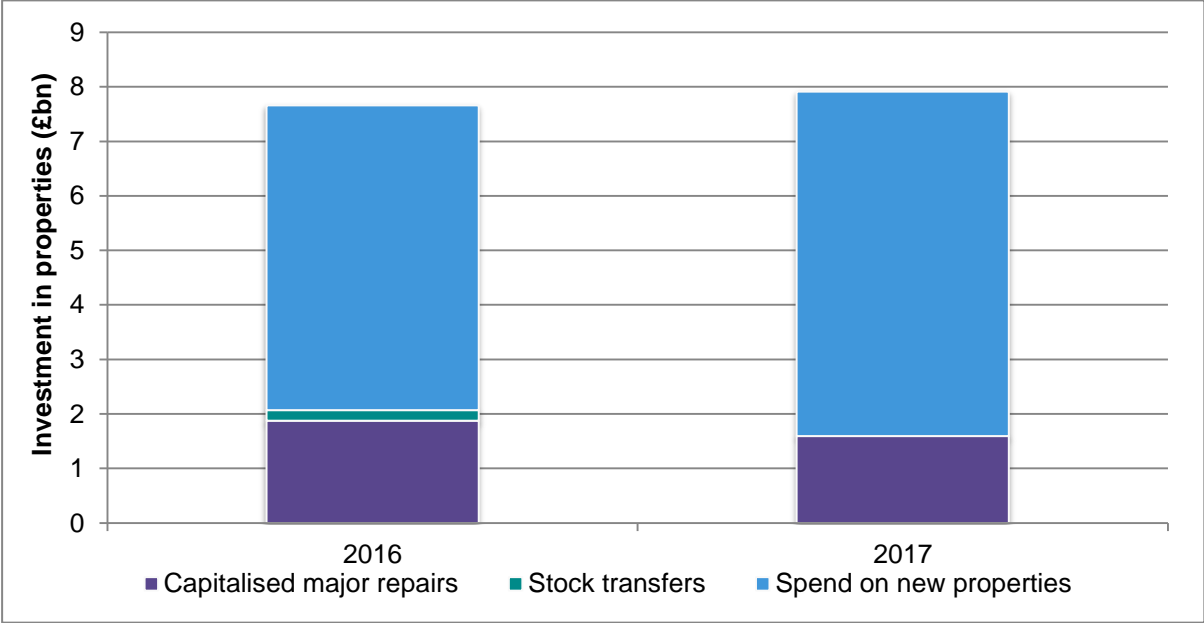
The section below references consolidated returns unless otherwise stated.

Growth in asset base

Total investment in new or existing properties, including housing properties, properties developed for sale and investment properties, was £11.6bn in 2017. This is an increase of 15% on spend of £10.1bn in 2016.

The sector invested £7.9bn in new or existing social housing properties for rent based on consolidated returns (2016: £7.5bn excluding stock transfers). Investment attributable to the development of new homes increased from £5.6bn in 2016 to £6.3bn in 2017. Capital investment in major repairs to existing housing properties was £1.6bn in 2017, a decrease compared to £1.9bn reported in 2016.

Figure 1: Investment in social housing properties (consolidated)



The investment in new or existing housing properties is demonstrative of how the sector continues to leverage the surpluses it generates on its trading activity. As was the case in the previous year, in 2017 the sector’s capital expenditure is more than double the £3.5bn underlying surplus generated in the period.

Based on consolidated returns 41,000 units were completed for rent or part rent in 2017 - a slight decrease on the 44,000 units developed in 2016. In aggregate 18,000 units were sold or demolished. In total the number of social homes in management increased by 28,000 to 2,761,000¹¹.

¹¹ The 28,000 unit increase in units managed in the year is affected by providers added to the dataset (managing more than 1,000 units in 2017) and restatements of unit disclosures made by providers in 2017 financial statements.

The £7.9bn spend on housing properties does not include investment on properties developed for sale and market rent. In 2017 the sector invested approximately £3.2bn on properties developed for outright sale and the expected first tranche element of shared ownership properties.

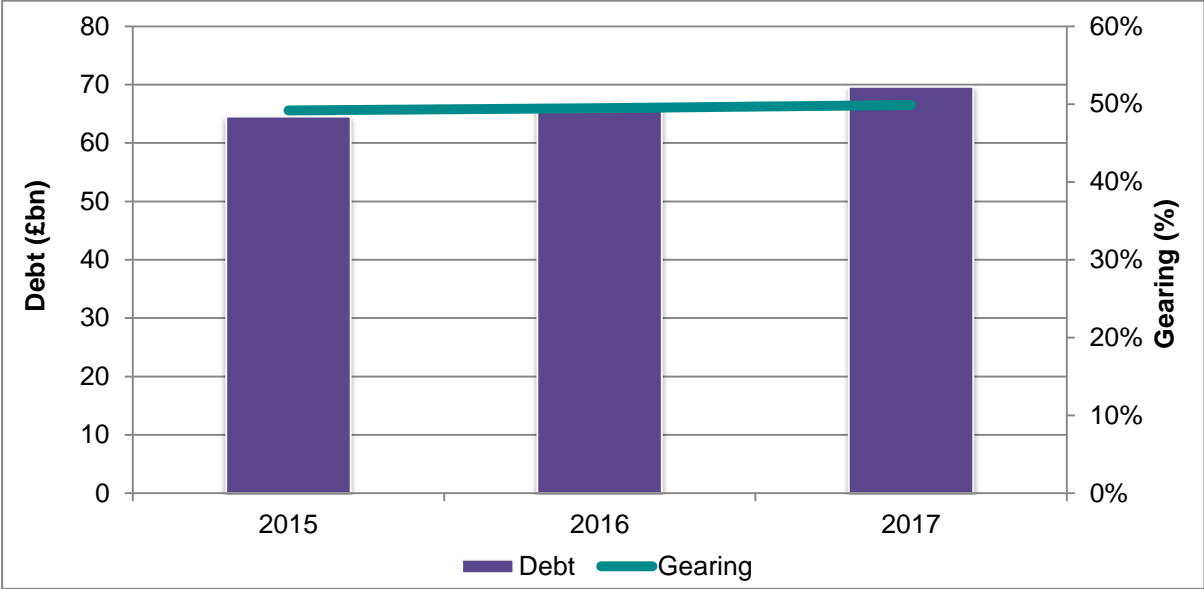
As at March 2017 the sector managed 229,000 non-social housing units; of these 4,000 were developed for market rent or other non-social purposes during the year. Properties held for market rent and other properties held for a non-social housing purpose are categorised as investment properties. The total value of investment properties held by the sector increased from £4.0bn in 2016 to £4.7bn in 2017. Approximately two-thirds of this increase (£0.5bn) is attributable to the development of new investment properties.

Funding

The investment in new supply and existing properties was primarily funded through the use of internally generated reserves and additional borrowing. To a lesser extent, this investment was also supported by grant received in the year. The increase in debt in the year is greater than the £2.2bn reported in 2016. Debt held by the sector increased by £2.9bn (4%) to £69.6bn in 2017. More than half of the increase in 2017 (£1.8bn) is attributable to one large provider, London and Quadrant.

The increase in debt created a marginal increase in gearing. Gearing, when measured as debt as a proportion of the net book value of housing properties, increased by less than 1% to 50%.

Figure 2: Gearing and debt (consolidated)



Financial performance

Table 1: Summary of income statement

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Turnover	20.0	20.0	18.0	17.8
Total operating costs	(14.1)	(14.5)	(12.5)	(12.7)
Operating surplus	5.9	5.5	5.5	5.0
Net interest payable	(3.4)	(2.9)	(3.3)	(2.8)
Surplus on sale of fixed assets	0.8	0.7	0.8	0.8
Other	0.8	0.0	0.5	0.2
Surplus for the year	4.1	3.3	3.5	3.2

Turnover was unchanged in comparison to 2016 at £20.0bn. In 2016 there was an 8% increase in turnover. Whilst turnover was flat overall, there were small changes in income from the following activities:

- Social housing lettings income from rent has increased by less than £0.1bn, with further small increases in service charge income and grant amortisation (see Part C Note 3a Social Housing Lettings).
- Revenue from properties developed for sale decreased by £0.1bn due to a change in accounting for joint venture income by London and Quadrant (see Part C Note 3c Non-social housing activities).

The overall operating margin improved from 28% to 30% as operating costs decreased by 3% to £14.1bn. The most significant cost reductions were in respect of management costs (£0.2bn) and other social housing costs not directly related to lettings activity (£0.1bn). These cost savings led to a 7% increase in the operating surplus, which was £5.9bn.

Net interest payable and financing costs reported have increased by 15%. However, the increase in the year is attributable to £0.6bn loan breakage costs in the year, £0.5bn of which are associated with refinancing activities undertaken by London and Quadrant. Excluding these breakage costs, interest payable marginally decreased between 2016 and 2017.

The net surplus increased by £0.7bn to £4.1bn. However, this surplus was affected by a large gain of £0.6bn attributable to merger activity in the year. The underlying surplus was £3.5bn, which was an increase of 6% on the reported surplus for 2016.

Table 2: Key financial ratios

<i>Figures as %</i>	Consolidated		Entity	
	2017	2016	2017	2016
Profitability ratios				
Net margin	20%	17%	19%	18%
Operating margin	30%	28%	31%	28%
Operating margin SHL	34%	32%	34%	32%
EBITDA MRI ¹² margin	32%	28%	34%	30%
Effective interest rate	5.3%	4.9%	5.5%	5.0%
Debt servicing ability				
EBITDA MRI interest cover	170%	170%	159%	158%
EBITDA MRI interest cover SHL	149%	148%	147%	147%
Gearing (asset valuation)	50%	49%	50%	50%
Debt per unit (£)	25,188	24,397	24,984	24,146
Debt to turnover	3.6	3.4	3.9	3.7

Increase in operating surplus from social housing lettings

Both the increase in operating surplus and the improvement in operating margin are primarily driven by social housing lettings activity. The operating surplus from social housing lettings activity has increased by £0.4bn (8%) to £5.2bn. The operating surplus from social housing lettings accounts for 87% of the total operating surplus reported by the sector.

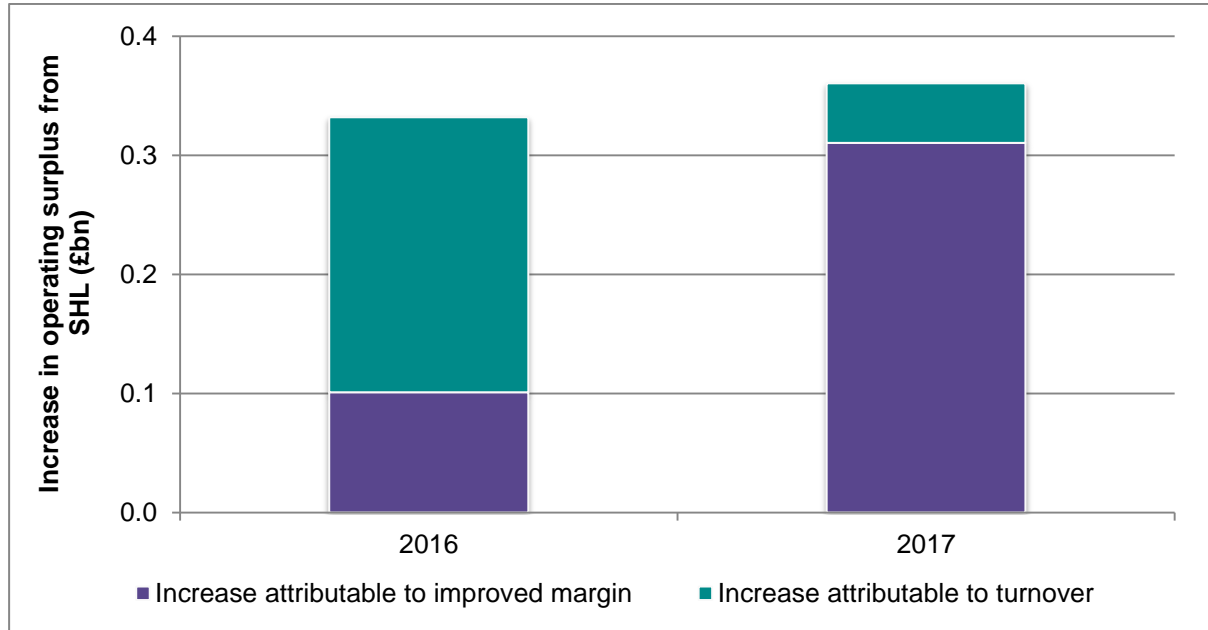
Turnover from social housing lettings has increased by 1% and rent receivable has increased by 0.6%. Providers have implemented the 1% rent reduction on general needs units as required under the Welfare Reform and Work Act 2016¹³. The slight increase in rent, despite the implementation of the rent reduction, is attributable to four main factors.

- A net increase in the number of units held for rent by the sector. In 2017 41,000 units were developed and 18,000 sold or demolished (2016: 44,000 developed and 19,000 units sold).
- New units developed and units converted are primarily let at the higher Affordable Rent rate, whereas most of the units sold or demolished were previously let at social rent.
- The rent reduction is applicable to general needs rented units only; rental income from supported housing was not affected in 2016/17 and shared ownership units are excepted from the rent reduction entirely.
- There are a small number of providers who have risen above the 1,000 unit threshold and have been added to the Global Accounts dataset for the first time in 2017.

¹² Earnings before interest, taxation, depreciation and amortisation with all major repairs spending included.

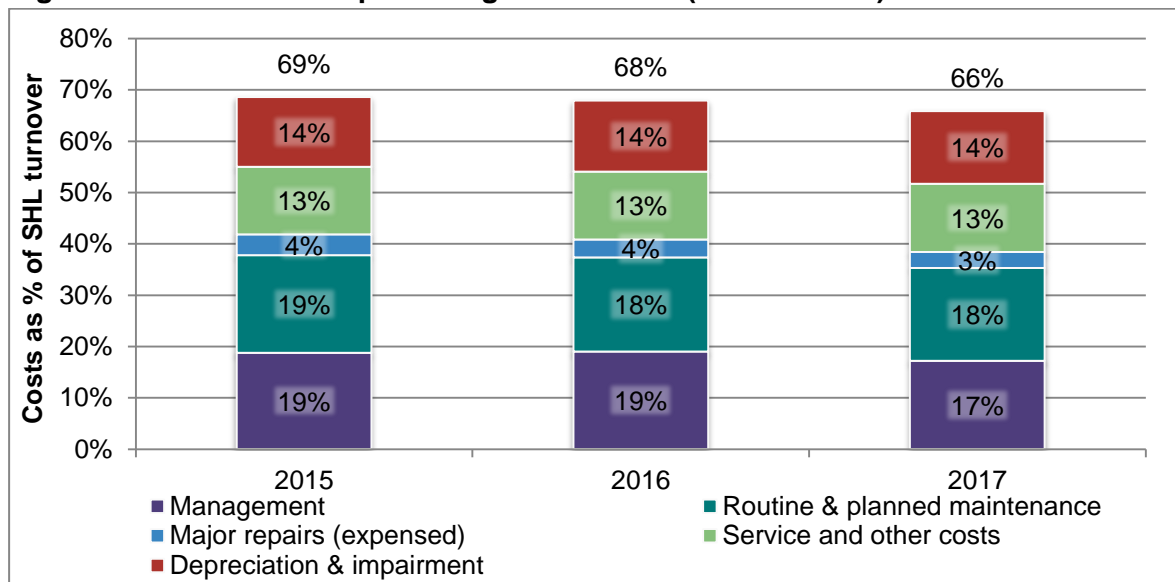
¹³ The Global Accounts are based on the audited financial statements of providers. The regulator collects and monitors actual rents charged by housing associations through the [Statistical Data Return \(SDR\)](#). The SDR 2016 to 2017 shows that housing associations implemented the social rent reductions since the rent reduction policy came into effect and that general needs rents have fallen accordingly.

Figure 3: Increase in operating surplus from SHL (consolidated)



The majority of the increase in operating surplus from social housing lettings is attributable to improvement in the operating margin from 32% in 2016 to 34% in 2017. The improvement in operating margin is mainly caused by a decrease in costs. Total expenditure on social housing lettings (excluding capitalised major repairs) has decreased by 2% from £10.2bn in 2016 to £10.0bn in 2017.

Figure 4: SHL costs as a percentage of turnover (consolidated)



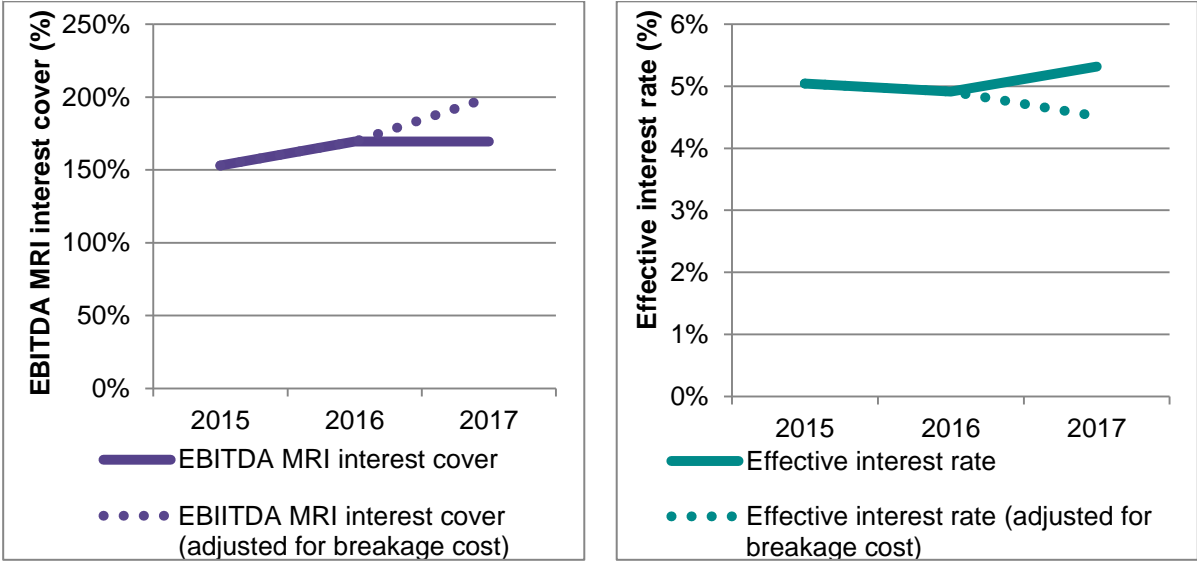
The most significant reductions are in respect of management costs. Total spend on management has reduced by 9% from £2.8bn in 2016 to £2.6bn in 2017.

Continued high levels of interest cover – particularly when an adjustment is made for breakage costs

Strong interest cover is required to service existing debt and support continued investment. Interest cover increased in the year for both entity and consolidated returns; the level of reported cover was well in excess of 150%.

The increase in interest cover in 2017 is limited by the inclusion of £0.6bn loan breakage costs in interest payable and finance costs. Underlying EBITDA MRI interest cover excluding breakage costs would be 200% (based on consolidated returns).

Figure 5: EBITDA MRI interest cover and effective interest rate (consolidated)



After an adjustment is made for exceptional breakage costs in the year, the improvement in headline interest cover and effective interest rate reflect the continuation of recent trends.

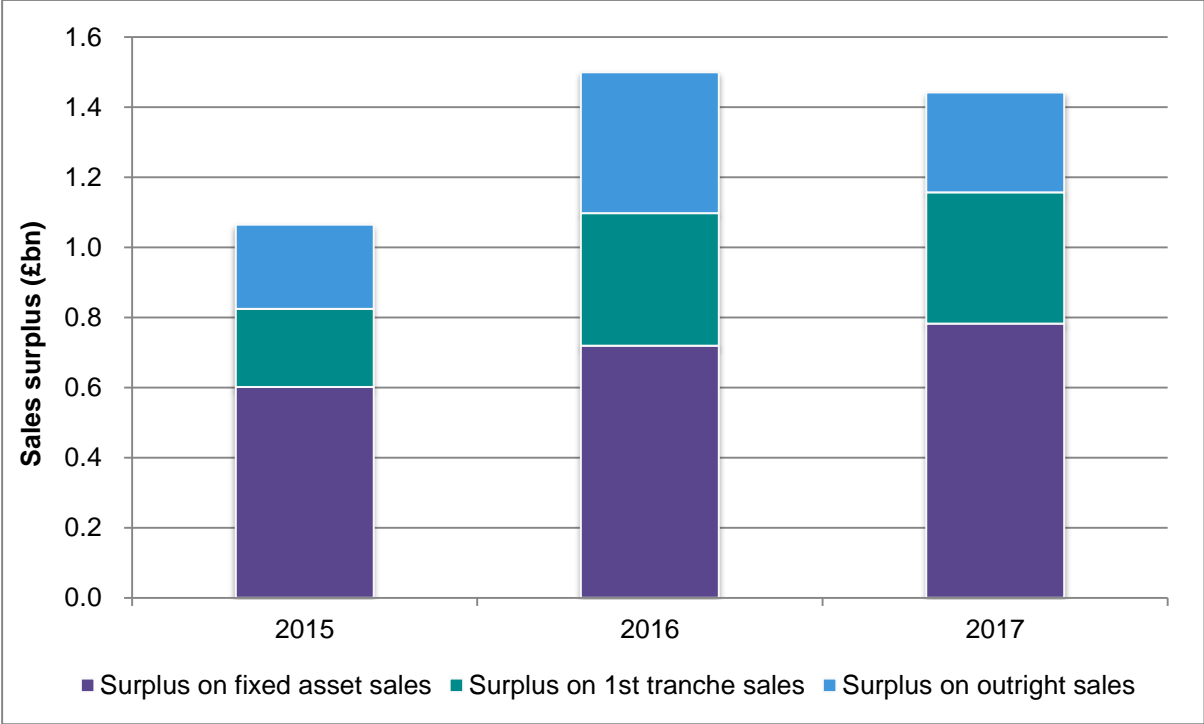
Robust sales performance in the year – exposure to the housing market is a key risk

In 2017, total turnover from sales was £2.6bn (2016: £2.8bn) and proceeds from fixed asset sales were £2.0bn (2016: £2.2bn). The sector reported a total surplus on sales of £1.4bn (2016: £1.5bn).

In 2017 the surplus on fixed asset sales was £0.8bn, equivalent to 19% of the net surplus reported by the sector. Total proceeds from fixed asset sales decreased by 8% to £2.0bn. However, there was a £0.1bn (9%) increase in the surplus from fixed asset sales in comparison to 2016. The majority of this increase is attributable to the sale of Right to Buy or Right to Acquire properties.

The development of new properties for sale, including both shared ownership and outright sale increased markedly between 2015 and 2016. In 2017 total turnover from this activity was £2.6bn, a 6% decrease in comparison to 2016.

Figure 6: Surplus in sales (consolidated)



In 2017 first tranche sales activity and performance was consistent with the previous year. Receipts from first tranche sales were £1.2bn (2016: £1.2bn) and the margin increased slightly from 31% in 2016 to 32% in 2017.

Sales receipts reported from properties developed for outright sale decreased from £1.6bn in 2016 to £1.4bn. A change in the accounting treatment for joint ventures by London and Quadrant¹⁴ has affected the figures reported. The provider has restated 2016 results, the effect of which would be to reduce total reported receipts from properties developed for sale in 2016 to £1.5bn.

The margin on properties developed for sale decreased from 26% in 2016 to 20% in 2017. Properties held for sale, disclosed in the Statement of Financial Position (SOFP), increased by £1.2bn (35%) in the year to £4.8bn. More than 85% of the balance disclosed in 2017, and the vast majority of the year on year increase, is attributable to land and properties under construction rather than unsold completed properties. This is demonstrative of an increased pipeline of future for sale development activity.

In 2017 the housing market remained robust, with sales values generally increasing in the year. However, there are significant regional variations and the housing market is a key risk for a small number of providers with significant exposure to manage.

¹⁴ In 2017 the provider changed the way outright sales undertaken in joint ventures are presented in their accounts and restated 2016 figures. Income and expenditure within joint ventures were not separately disclosed in the consolidated financial results. In 2017 the net surplus from joint ventures was included as a disclosure in the income statement.

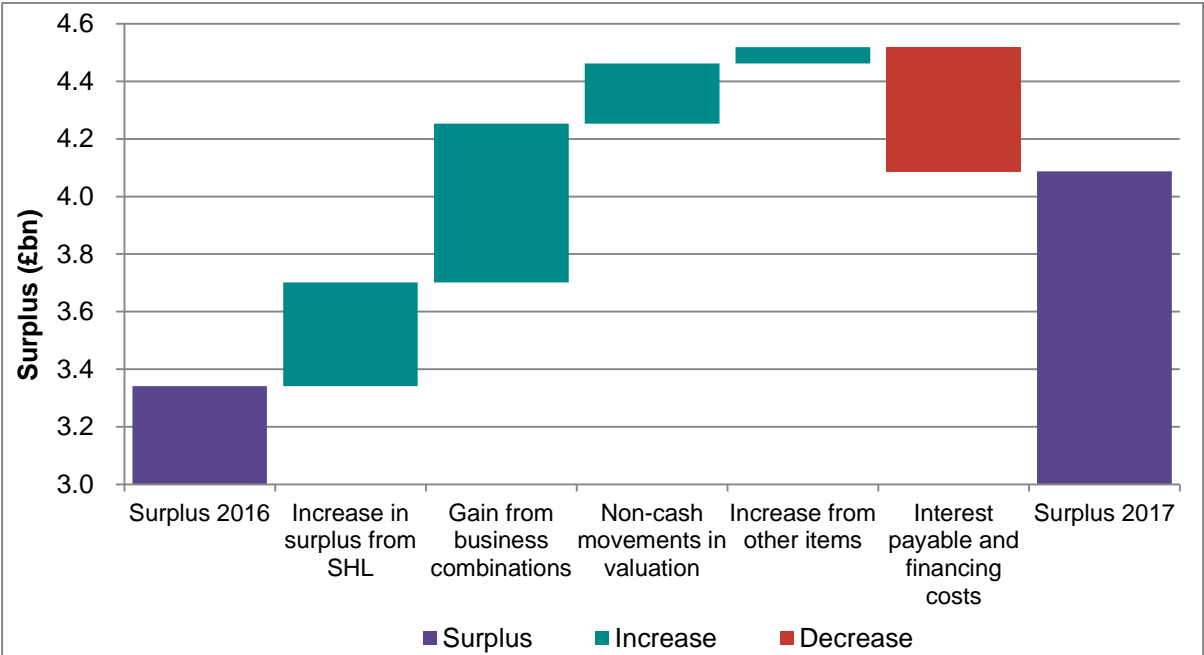
Increase in reported surplus affected by other non-cash adjustments

At the entity level, the surplus increased by £0.3bn to £3.5bn. At consolidated level, the surplus increased by £0.7bn to £4.1bn.

The operating surplus from SHL has increased by £0.4bn with the improvement driven by cost efficiencies. Interest payable and finance costs have increased by £0.4bn. However, the increase is attributable to loan breakage costs in a small number of providers rather than an increase in interest payable.

The figure overleaf and subsequent narrative focusses on the other factors affecting the increase in the reported surplus.

Figure 7: Factors driving the increase in surplus (consolidated)



Based on consolidated figures, a **gain from business combinations** is responsible for £0.6bn of the increase in surplus in the year. For a number of mergers and restructures completed in the year, the fair value of the transferring entity has been recognised as income in the acquiring provider (see Part C Note 2: mergers and business reorganisations).

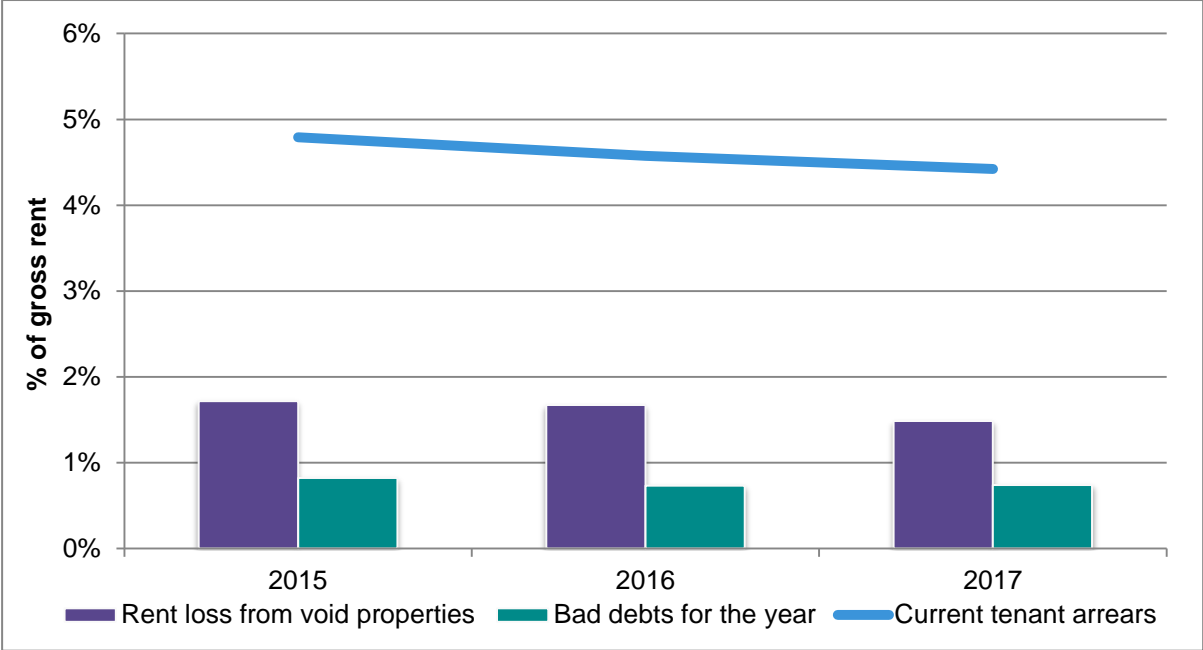
It is possible to isolate the effect of the acquisition method of accounting on the reported surplus. The fair value gains can be adjusted out and an estimate of the surplus from transferring entities for the part of the year prior to merger or amalgamation added in. Following this adjustment the 2017 surplus would be £3.5bn, an increase of £0.2bn on 2016.

In 2017, £0.2bn of the overall increase in surplus is attributable to **non-cash re-measurements and movements in valuation** (see Part C Note 7: Movements in fair value and re-measurements). Of the £0.2bn increase, £0.1bn is attributable to the movement in the fair value of financial instruments. Interest rate swaps and a minority of loans classified as ‘non-basic’ or ‘other’ are subject to annual fair value measurement. A further £0.1bn of the increase related to the revaluation of housing properties.

The increase for **other items** includes the surplus on the sale of fixed assets, Gift Aid, corporation tax, other sundry items and a £35m increase in the surplus from non-SHL activities.

Operating performance

Figure 8: Indicators of operating performance (consolidated)



Bad debts, void loss and current tenant arrears are key performance indicators in assessing the efficiency of lettings and rent collection. In 2017 void loss decreased by 11% compared to 2016. Current tenant arrears moved from 4.6% of gross rent in 2016 to 4.4% in 2017. Bad debts remained at 0.7% of gross rent in both years.

Social housing costs per unit

In aggregate, headline social housing costs¹⁵ per unit have reduced by 7% from £3,975 in 2016 to £3,698 in 2017.

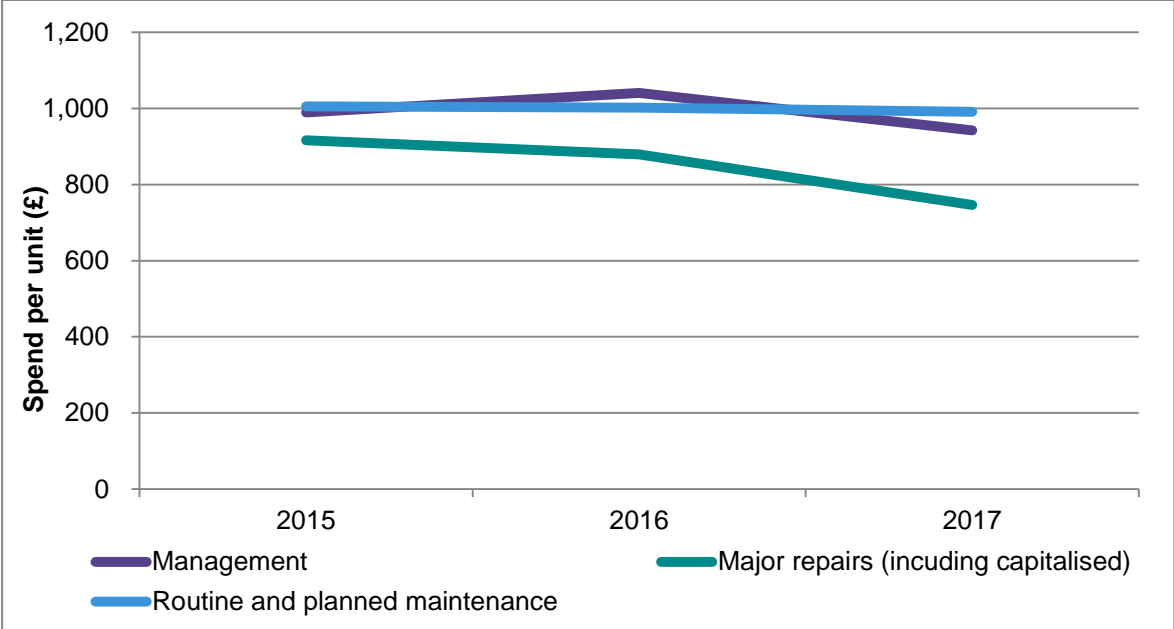
Including capitalised spend, total major repairs expenditure has decreased by £0.3bn (14%) to £2.1bn. Total major repairs spend per social housing unit managed has decreased by 15% from £879 in 2016 to £747 per unit in 2017.

The greatest levels of reductions in respect of major repairs have been made by the more recent stock transfer providers. This reflects the age profile of stock transfer providers. Most have moved beyond the initial phase of intensive catch up major repair works that are undertaken immediately post-transfer.

¹⁵ The regulator has defined a 'headline social housing cost per unit' measure to analyse Global Accounts cost data, which aims to provide a consistent and robust general measure of costs across providers. This definition was explained in the unit cost analysis published in June 2016, [Delivering better value for money: understanding the difference in unit costs](#).

However, the majority of providers have reduced major repairs spend in 2017 in response to the rent reduction. Forecasts suggest that, in aggregate, major repairs spend will increase in the three remaining years of rent reductions up to 2020. The regulator will continue to track major repairs expenditure through the Quarterly Survey.

Figure 9: Management, major repairs and maintenance spend per unit (consolidated)



Management costs have also decreased year on year by 9% per unit. Routine and planned maintenance costs fell by 1% per unit.

Unit cost figures for individual providers are once again published in the accompanying data release. Subject to the responses to the regulator’s [consultation on proposed changes to the Value for Money Standard](#)¹⁶, the regulator intends to publish more detailed analysis on unit costs and a range of other value for money metrics in 2018.

The median headline social housing cost was £3,298 per unit at a consolidated group level. Lower and upper quartiles for headline social housing unit costs were £2,932 and £4,329 respectively. There is significant variation in costs across providers. In particular, a small number of providers with large amounts of supported housing have costs of over £10,000 per unit per annum. The median, less affected by these high-cost outliers than the mean, has been the headline measure in the regulator’s provider-level cost analysis to date.

¹⁶ <https://www.gov.uk/government/consultations/consultation-on-the-value-for-money-standard>

Part B – Financial statements

Table 3: Statement of comprehensive income

<i>£bn</i>	Note	Consolidated		Entity	
		2017	2016	2017	2016
Turnover	3	20.0	20.0	18.0	17.8
Cost of sales	3	(1.9)	(1.9)	(1.0)	(1.0)
Operating expenditure	3	(12.1)	(12.5)	(11.4)	(11.7)
Operating surplus	3	5.9	5.5	5.5	5.0
Gain/(loss) on disposal of fixed assets	4	0.8	0.7	0.8	0.8
Gift Aid and other items	5	0.5	0.2	0.4	0.4
Interest receivable	6	0.1	0.1	0.3	0.2
Interest payable and financing costs	6	(3.5)	(3.0)	(3.6)	(3.0)
Movements in fair value	7	0.3	(0.2)	0.1	(0.1)
Surplus before tax		4.1	3.4	3.5	3.3
Taxation		(0.1)	0.0	0.0	0.0
Surplus for the period		4.1	3.3	3.5	3.2
Unrealised surplus /(deficit) on revaluation of housing properties	7	0.0	(0.4)	0.0	(0.4)
Actuarial (loss) / gain pension schemes	8	(0.5)	0.4	(0.5)	0.4
Change in fair value of hedged instruments	7	0.1	0.0	0.2	0.0
Comprehensive income for the period		3.7	3.4	3.2	3.2

Table 4: Statement of changes in reserves

<i>£bn</i>	Income and expenditure reserves	Revaluation reserves	Other reserves	Total
Consolidated				
Closing balance 2016	29.8	12.6	(0.5)	41.8
Restatements	0.3	(0.2)	(0.4)	(0.3)
Balance at start of period	30.1	12.4	(0.9)	41.5
Surplus / (deficit) for the period	4.1			4.1
Other comprehensive income	(0.5)	0.0	0.1	(0.4)
Transfer from revaluation reserve	0.1	(0.1)	0.0	(0.0)
Other transfers	0.0	0.0	0.0	0.0
Closing balance 2017	33.7	12.3	(0.8)	45.2
Entity				
Closing balance 2016	28.2	12.8	(0.4)	40.7
Restatements	0.3	(0.1)	(0.7)	(0.6)
Balance at start of period	28.5	12.6	(1.1)	40.1
Surplus / (deficit) for the period	3.5			3.5
Other comprehensive income	(0.5)	0.0	0.2	(0.3)
Transfer from revaluation reserve	0.1	(0.1)	0.0	(0.0)
Other transfers	0.1	0.1	0.4	0.6
Closing balance 2017	31.7	12.7	(0.5)	43.9

Table 5: Statement of Financial Position

<i>£bn</i>	Note	Consolidated		Entity	
		2017	2016	2017	2016
Fixed assets					
Housing properties at cost	9	137.5	132.8	133.5	129.1
Housing properties at valuation	9	2.0	2.0	2.0	2.0
Other fixed assets	10	2.9	2.9	5.2	2.5
Investment properties	10	4.7	4.0	3.1	2.8
Other investments	10	1.7	1.6	2.9	3.4
Total fixed assets		148.8	143.2	146.7	139.8
Current assets					
Properties held for sale	11	4.8	3.5	1.8	1.4
Trade and other debtors	11	2.0	1.8	2.2	2.2
Cash and short term investments	11	6.9	6.8	5.5	5.5
Other current assets	11	2.0	2.1	3.8	4.6
Total current assets		15.6	14.3	13.2	13.7
Short-term loans	13	1.5	1.9	1.6	1.7
Deferred capital grant	14	0.4	0.3	0.4	0.3
Other current liabilities	12	5.0	4.6	4.9	5.0
Total creditors: due within one year		6.9	6.8	6.9	7.0
Net current assets/ liabilities		8.7	7.5	6.4	6.7
Total assets less current liabilities		157.5	150.7	153.0	146.5
Creditors: amounts falling due after more than one year					
Long-term loans	13	67.6	64.4	54.1	53.4
Amounts owed to group undertakings	13	0.0	0.0	12.0	9.7
Finance lease obligations	13	0.4	0.4	0.3	0.2
Deferred capital grant	14	34.9	35.1	34.2	34.2
Other long-term creditors	15	5.9	5.3	5.4	5.1
Total creditors: due more than one year		108.9	105.3	106.0	102.6
Provisions for liabilities					
Pension provision	8	2.2	1.9	2.0	1.7
Other provisions	16	1.2	1.7	1.1	1.6
Total net assets		45.2	41.8	43.9	40.7
Reserves					
Income and expenditure reserve	17	33.7	29.8	31.7	28.2
Revaluation reserves	17	12.3	12.6	12.7	12.8
Other reserves	17	(0.8)	(0.5)	(0.5)	(0.4)
Total reserves		45.2	41.8	43.9	40.7

Part C – Notes to accounts

1. Global Accounts methodology

This analysis is based on a database of information derived from housing providers' audited financial statements. The database contains data from the annual account regulatory returns (known as FVAs) which must be submitted by providers that manage 1,000 or more homes. Where a provider is a parent of a group structure that produces consolidated financial statements it submits both an entity and a consolidated FVA.

These regulatory returns are aggregated to produce the Statement of Financial Position (SOFP), Statement of changes in reserves and Statement of Comprehensive Income (SOCl). Statements and notes are based on the entity dataset and consolidated dataset for 2016/17. Comparative figures for 2015/16 are also provided.

In the statements and tables included in the notes, the figures are rounded to the nearest £billion to one decimal place. This can result in rounding differences in totals as individual returns are denominated in £000s.

Aggregate SOCl

The aggregate SOCl reflects the sum of private registered provider activity for all accounting periods ending between 1 April 2016 and 31 March 2017¹⁷.

Aggregate SOFP

The aggregate SOFP is the sum of individual statements where the financial year end falls within the period from 1 April 2016 to 31 March 2017.

Additional information

Additional information is provided on other activities, selected notes to the financial statements and the number of homes in management.

2. Mergers and business reorganisations

In 2017 several providers have merged and there have been a number of business reorganisations. Under FRS102 a business combination is defined as the bringing together of separate entities or businesses into one reporting entity.

'**Merger accounting**' can be used for certain combinations. For a combination to be classified as a merger the ultimate equity holder must remain the same and non-controlling interests must not be altered by the transfer.

¹⁷ A small number of providers included in the dataset produced financial statements for a period other than 12 months. This was either as a result of merger activity or of moving their financial year end from December to March.

The majority of business combinations undertaken by providers have been accounted for using merger accounting. Under merger accounting the results and cash flows of all the combining entities are brought into the financial statements of the combined entity from the beginning of the financial year in which the combination occurred. The comparative information is restated by including the total comprehensive income for all the combining entities for the previous period and their Statement of Financial Position for the previous reporting date.

As public benefit entities, combinations which cannot be classified as a merger, are treated either as ‘**combinations that are in substance a gift**’ or as ‘**acquisitions**’. Throughout this document the term ‘acquisition method’ is used to describe the effect of both approaches. There are two key aspects to these approaches which have implications for the Global Accounts.

- The acquiring provider is required to recognise the fair value of the transferring provider in the Statement of Comprehensive Income. For combinations that are in substance a gift, the acquiring provider must recognise the fair value of the assets received over the fair value of liabilities of the acquired organisation as a gain (or loss) in income. The use of this approach has had a material impact on the surplus reported in 2017.
- As the fair value of the transferring business is recognised as a gain in income at the date of transfer, the income and expenditure of the acquired provider can only be included in the financial results of the acquiring provider from that date. Therefore, in the 2017 aggregate results, a proportion of the trading performance of transferring providers (where transfers are treated as ‘combinations that are in substance a gift’ or ‘acquisitions’) is not reported as individual line items in income and expenditure.

The table below summarises instances where either the ‘combinations that are in substance a gift’ or an ‘acquisitions’ approach has been applied in respect of business combinations between previously unrelated providers.

Table 6: Business combinations between previously unrelated providers using an acquisition method

	Consolidated	Entity
Number of mergers	6	2
(i) No. of social housing units in acquired providers (000s)	34	6
(ii) Gain recognised in SOCI surplus	£0.6bn	£0.0bn
(iii) Gain recognised as a transfer of reserves	NA	NA

The table below identifies the effects where the acquisition method has been applied in respect of group reorganisations.

Table 7: Business combinations relating to group reorganisations using an acquisition method

	Consolidated	Entity
Number of reorganisations	0	5
(i) No. of social housing units in acquired providers (000s)	NA	35
(ii) Gain recognised in SOCI surplus	NA	£0.1bn
(iii) Gain recognised as a transfer of reserves	NA	£0.6bn

- (i) The tables show the approximate number of units transferred. The date of acquisition is significant in respect of the potential impact on the levels of income and expenditure not included in the acquiring provider’s SOCI.
 - Based on consolidated returns, more than two thirds (circa 22,000) of the units transferred were attributable to two large mergers, both occurring in December 2016. London and Quadrant acquired East Thames and Places for People acquired Derwent Housing. Both were treated as business combinations, which are in substance, a gift.
 - Based on entity returns, more than 70% (circa 30,000) of the units transferred were attributable to one large restructure within Gentoo Group which took place on the last day of the financial year in March 2017.
- (ii) The tables show the gain recognised in income in respect of the fair value of the acquired organisation. Based on the consolidated returns, the acquisition of East Thames by London and Quadrant accounts for 90% of the total gain recognised. In the Statement of Comprehensive Income (Table 3) the gain is included in Gift Aid and other items.
- (iii) The figure shows the gain recognised as a transfer of reserves on restructure. 95% of the figure is attributable to a group reorganisation within Gentoo Group. In the ‘statement of changes in reserves’ (Table 4), the gain has been reported in other transfers of reserves.

3. Particulars of turnover, cost of sales, operating expenditure and operating surplus

3a. Social housing lettings

Table 8: Income and expenditure from SHL

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Income				
Rents	13.1	13.0	12.9	12.9
Service charge income	1.3	1.2	1.3	1.2
Net rental income	14.4	14.3	14.1	14.1
Capital grant released to income	0.5	0.4	0.5	0.4
Other and revenue grant	0.3	0.3	0.3	0.3
Turnover from SHL	15.1	15.0	14.9	14.8
Expenditure				
Management	2.6	2.8	2.6	2.9
Service charge costs	1.5	1.5	1.5	1.4
Routine maintenance	1.9	1.9	1.9	1.9
Planned maintenance	0.8	0.8	0.8	0.8
Major repairs expenditure	0.5	0.5	0.5	0.5
Bad debts	0.1	0.1	0.1	0.1
Depreciation of housing properties	2.1	2.0	2.1	2.0
Impairment of housing properties	0.0	0.1	0.0	0.1
Other costs	0.4	0.4	0.4	0.4
Expenditure on SHL	10.0	10.2	9.8	10.1
Operating surplus on SHL	5.2	4.8	5.0	4.7

Based on consolidated returns, turnover from SHL increased by 1.0% to £15.1bn in 2017. The entity level total turnover figure is £14.9bn. Contributory factors to this small difference include turnover from small (less than 1,000 unit) providers that form part of group structures and turnover from SHL activity outside England.

The movement in turnover is affected by the implementation of the 1% rent reduction. However, this did not result in a 1% decrease in reported income from rent or rent per social housing unit managed.

- Based on consolidated returns, rental income increased by £73m (0.6%) and rent per unit decreased by 0.4% to £91per week.
- Based on entity returns, rental income decreased by £8m (0.1%) and rent per unit fell by 1.0% to £91 per week.

A proportion of rent received (and costs incurred) by providers is, in effect, missing from figures reported in financial statements. Where the acquisition method has been used to account for mergers and business reorganisations, the rent received prior to the acquisition date was not included in the acquirer's financial statements. When an adjustment is made for this, rent per unit reported in 2017, in both consolidated and entity returns, would increase by 0.2% on 2016 to £92 per week.

The regulator collects and monitors actual rents charged by housing associations through the [Statistical Data Return](#) (SDR)¹⁸. The SDR 2016 to 2017 shows that housing associations have implemented the social rent reductions since the rent reduction policy came into effect and that general needs rents have fallen accordingly.

There are a number of contributory factors, which in combination, explain the difference between the 1% rent reduction and the increase in rent per unit cited above with reference to Global Accounts data.

- A net increase in the number of units held for rent by the sector. In 2017 41,000 units were developed and 18,000 sold or demolished.
- In 2017, approximately 12,000 units were converted from social rent to Affordable Rent.
- The new units developed and converted were primarily let at Affordable Rent, whereas most of the units sold or demolished were previously let at social rent.
- The rent reduction is applicable to general needs rented units only; the rental income from supported and low-cost home ownership units was excepted from the rent reduction. The permitted increase in rent for supported units was 0.9% (CPI -0.1% in September 2015 plus 1%). The permitted increase for rent on low-cost home ownership units was 1.3% (RPI 0.8% in September 2015 plus 0.5%).
- There are four providers which have risen above the 1,000 unit threshold and have been added to the Global Accounts dataset for the first time in 2017. The providers added to the dataset are all specialist support or care organisations. In combination, they reported rent of £50m and average rent of more than £150 per unit per week.

Based on consolidated returns, service charges per unit increased by 3.6% to £9 per week. The ratio of service charge income to service costs was 84.7%; this was marginally lower than the figure for 2016 (84.9%).

Total expenditure on SHL decreased by 2.0% (£0.2bn) to £10.0bn. Expenditure on management, major repairs and planned maintenance all decreased in cash terms. Based on cost per social housing unit, expensed major repairs spend (expensed) has decreased by 13%, management costs by 9% and routine and planned maintenance costs by 1%.

The operating surplus from SHL has increased by £360m to £5.2bn; the margin has increased from 32% in 2016 to 34% in 2017. The results on an entity basis are not materially different.

¹⁸ <https://www.gov.uk/government/collections/statistical-data-return-statistical-releases>

3b. Other social housing activities

Table 9: Other social housing activities

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
First tranche shared ownership sales				
Turnover	1.2	1.2	1.2	1.2
Expenditure / Cost of sales	0.8	0.8	0.8	0.8
Surplus	0.4	0.4	0.4	0.4
Other social housing activities				
Turnover	0.8	0.9	0.8	0.8
Expenditure / Cost of sales	0.9	1.1	0.9	1.0
Deficit	(0.1)	(0.2)	(0.1)	(0.2)
Total				
Turnover	2.0	2.1	1.9	2.0
Expenditure / Cost of sales	1.7	1.9	1.7	1.8
Surplus	0.3	0.2	0.3	0.2

There is very little difference between the consolidated group and entity returns in relation to the sale of first tranche shared ownership units. Turnover based on consolidated returns has decreased marginally by £32m. The surplus has decreased from £378m in 2016 to £373m in 2017. This represents a marginal increase in margin from 31.4% in 2016 to 31.9% in 2017. Shared ownership sales are concentrated in a small number of providers, with more than 50% of turnover attributable to 16 providers.

Other social housing activity includes income and expenditure relating to support services. The sector reported a loss on social housing support activity of £50m in entity returns and £38m in consolidated returns (2016: £43m loss entity, £41m loss consolidated). Support service income is concentrated in a small number of providers with more than 60% of total turnover reported by ten providers. These providers face additional challenges in competing for care and support contracts from local authorities and other public bodies.

The remainder of other social housing activities includes community and neighbourhood activities, development and management services and a range of other activities. For these activities, the sector reported a loss of £61m (2016 £112m loss) in entity returns and £77m (2016 £129m loss) in consolidated returns.

3c. Non-social housing activities

Table 10: Non-social housing activities

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Properties developed for sale				
Turnover	1.4	1.6	0.2	0.2
Expenditure / Cost of sales	1.1	1.2	0.2	0.1
Surplus	0.3	0.4	0.0	0.0
Other non-social housing activities				
Turnover	1.4	1.3	0.9	0.8
Expenditure / Cost of sales	1.2	1.2	0.7	0.7
Surplus	0.2	0.1	0.2	0.1
Total				
Turnover	2.9	2.9	1.2	1.0
Expenditure / Cost of sales	2.4	2.4	1.0	0.8
Surplus	0.5	0.5	0.2	0.2

Outright sale activity is typically undertaken in non-registered entities and is therefore reported in consolidated but not entity returns. The turnover from outright sales decreased by £133m (8.5%) to £1.4bn. The surplus decreased by £116m (28.9%) to £285m and the margin fell from 25.7% to 19.9%. The development of properties for market sale is concentrated in a small number of providers, with over 75% of the turnover attributable to 15 providers.

A comparison of the 2016 and 2017 results for outright sale activity has been affected by a change in the accounting treatment, made by London and Quadrant, in respect of joint ventures. In the provider's financial statements for 2017, income and expenditure from outright sale activity undertaken in joint ventures is not reported separately. The net surplus from joint ventures is included in the income statement under "Gift Aid and other items". In 2016 turnover from outright sales of £89m delivered through joint ventures was included in the £1.6bn sector figure in Table 10.

In total the surplus from other non-social housing activity was £211m (2016: £110m). This included a surplus of £115m on market rent properties (2016: £97m), a surplus of £30m on student accommodation (2016: £42m) and a surplus on the remainder of other non-social activity of £66m (2015: loss of £30m).

The increase in surplus on non-social housing activity between 2016 and 2017 was partially attributable to impairment charges on non-social housing properties reported in 2016.

4. Disposal of fixed assets

Table 11: Disposal of fixed assets

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Staircasing				
Proceeds	0.7	0.8	0.7	0.8
Costs of sale	0.4	0.5	0.4	0.5
Surplus	0.3	0.3	0.3	0.3
Right to Buy / Right to Acquire				
Proceeds	0.4	0.3	0.4	0.3
Costs of sale	0.3	0.2	0.3	0.2
Surplus	0.1	0.1	0.1	0.1
Other social housing sales				
Proceeds	0.6	0.7	0.6	0.8
Costs of sale	0.3	0.4	0.3	0.5
Surplus	0.3	0.3	0.3	0.3
Sales to other registered providers and sale of other assets				
Proceeds	0.3	0.4	0.5	0.7
Costs of sale	0.2	0.3	0.3	0.5
Surplus	0.1	0.1	0.1	0.2
Total				
Proceeds	2.0	2.2	2.2	2.5
Costs of sale	1.2	1.5	1.3	1.7
Surplus	0.8	0.7	0.8	0.8

Based on consolidated returns, total fixed asset sales during the year generated a surplus of £0.8 billion from proceeds of £2.0 billion. The surplus increased by 9% compared to 2016 whilst sales proceeds were 8% lower. The margin on fixed asset sales increased from 33% to 39%.

Proceeds from 'Right to Buy / Right to Acquire' showed an increase of £102m (38%) in comparison to 2016. This activity is concentrated in a relatively small number of providers with 12 generating proceeds of more than £5 million, accounting for 35% of the sector total.

Asset sales taking place within the same group are eliminated on consolidation. This means that the entity totals are greater than the consolidated totals in respect of other social housing sales, sales to other registered providers and sale of other assets.

5. Gift Aid and other items

Table 12: Gift Aid and other items

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Gift Aid	0.0	0.0	0.3	0.3
Other items	0.5	0.2	0.1	0.1
Share of operating surplus JV	0.1	0.1	0.0	0.0
Total	0.5	0.2	0.4	0.4

In 2017 Gift Aid receipts in entity returns totalled £312m, a slight increase on the £308m reported in 2016. The Gift Aid receipts in entity returns reflect non-social housing activity carried out by the non-registered entities within group structures. There is a strong correlation between Gift Aid received in the entity returns and surplus on properties developed for sale in non-registered entities within consolidated returns.

Based on consolidated returns, the gain recognised in income under Other items has increased by £324m to £488m in 2017. The 2017 figure includes a £551m gain resulting from business combinations where the acquisition method of accounting is used (see note 2: Mergers and business reorganisations), a £48m impairment charge relating to unlisted investments and £29m refinancing costs in one provider.

In 2016 the “other items” figure included movement in the fair value of investment properties. In 2017 changes were made to the FVA data collection template. In 2017 the movement in the fair value of investment properties was reported separately (see note 7 Movements in fair value and re-measurement).

6. Interest and finance costs

Total interest and finance costs have increased by 14.0% from £3.0bn in 2016 to £3.5bn in 2017. The increase in interest and finance costs in 2017 is attributable to refinancing activities in one provider group. In consolidated returns, total interest payable and financing costs includes breakage costs of £558m, the figure in entity returns is £643m. In the table below the breakage costs have been included in other amounts payable.

Table 13: Interest payable and finance costs

<i>£bn</i>	Consolidated	Entity
Interest payable on liabilities	3.0	2.9
Defined benefit pension charge	0.1	0.1
Other amounts payable	0.7	0.8
Less: interest capitalised in housing properties	(0.2)	(0.2)
Total interest payable and financing costs	3.5	3.6

Excluding the breakage costs reported in 2017, total interest payable and finance costs have decreased by £132m based on consolidated returns and by £96m in entity returns. In 2017 8.0% of interest payable on liabilities was capitalised. Other amounts payable also includes amortisation of loan premium and arrangement costs, accruals on Disposal Proceeds Fund (DPF), Recycled Capital Grant Fund (RCGF) and any other finance costs.

7. Movements in fair value and re-measurements

Movements in the fair value of investment properties

Properties held for market rent and other properties held for a non-social housing purpose are categorised as investment properties. They are re-measured annually at their fair value and any change in fair value is reported in income in the surplus for the year. In 2017 changes were made to the FVA data collection template including the addition of a separate disclosure in the income statement capturing movement in the value of investment properties.

Based on consolidated returns, the fair value of investment properties held by the sector increased by £241m on re-measurement. The figure based on the entity returns was £158m, the smaller increase reflecting the extent to which market rent properties are held by non-registered entities within group structures.

Movements in the fair value of financial instruments

Interest rate swaps and a minority of loans are classified as 'non-basic' or 'other' financial instruments under FRS102 and as such are subject to annual fair value measurement. The movement in fair value of interest swaps held by providers is reported above or below the surplus in the SOCI depending on whether hedge accounting has been applied¹⁹.

Based on consolidated returns, providers reported a positive adjustment of £27m in respect of non-hedged financial instruments. In respect of hedged financial instruments, providers reported a positive movement on fair value of £106m in other comprehensive income. The fair value movements on 'non-basic' loans and interest rate swaps in 2017 were limited. This is because there was little difference between the swap rates at the beginning and end of the period²⁰.

Movements in the value of housing properties

Where there is a revaluation movement relating to housing properties and no indication of impairment the decrease or increase in valuation is recognised in the SOCI. Depending on the asset type and the level of accumulated revaluation gains in equity relating to that asset, the movement can be shown above or below the surplus. In 2017, based on consolidated returns, a net loss on revaluation of £6m was recognised above the surplus and a net unrealised surplus of £26m was recognised in other comprehensive income. In 2016 a loss of £388m was recognised in other comprehensive income. The loss in 2016 was attributable to the announcement of the 1% rent reduction policy.

¹⁹Whether hedge accounting can be applied is dependent upon the nature of the economic relationship between the hedged item and the hedging instrument. Applying hedge accounting allows providers to report the movement in fair value in other comprehensive income reducing volatility in the recognised surplus.

²⁰ For example, the 15-year swap rate was 1.55% in March 2016 and 1.49% in March 2017.

8. Pensions

The actuarial gain or loss on pension assumptions has changed year on year. In 2016, based on consolidated returns, the sector reported an actuarial gain of £0.4bn. In 2017 the sector reported an actuarial loss of £0.5bn. The change results from movements in underlying actuarial assumptions. These include projected changes in inflation, the rate of increase in the level of pensions paid, of salaries and a discount rate linked to gilts, plus mortality assumptions in relation to how long a pension is expected to be paid. In 2017, changes to assumptions, particularly higher inflation and lower discount rates, served to increase pension liabilities and resulted in the actuarial loss for the year.

In aggregate, at consolidated level, pension provision for liabilities increased by £0.3bn to £2.2bn (2015: £1.9bn). On restatement a number of providers moved Social Housing Pension Scheme (SHPS) pension deficit contribution liabilities, previously reported in provisions, to other long-term creditors. When an adjustment is made for this restatement (approximately £0.2bn moved from pension liability to long-term creditors) the movement in pension liabilities is commensurate with the actuarial loss recognised in the year.

9. Fixed asset – housing properties

Table 14: Fixed asset note - housing properties

<i>£bn</i>	Consolidated	Entity
Housing properties at cost or valuation		
Properties held at cost	144.1	140.4
Properties held at valuation	4.5	4.5
Total properties held at start of period	148.6	144.9
Additions		
Additions (new properties)	6.3	6.1
Additions (existing properties)	1.6	1.6
Disposals	(1.5)	(1.5)
Transfers ²¹	2.2	1.9
Revaluation and other	(0.4)	(0.4)
Total properties held at end of period	156.9	152.6
Depreciation and impairment		
Total depreciation and impairment at start of period	15.6	15.3
Depreciation and Impairment charged in period	2.1	2.1
Released on disposal	(0.3)	(0.3)
Revaluation and other	(0.0)	0.1
Total depreciation and impairment at end of period	17.3	17.1
Net book value at end of period	139.5	135.5
Net book value at start of period²²	133.0	129.6

²¹ Includes mergers where the acquisition method is used and the units are transferred / acquired in the year.

²² The net book value at the start of the period has been restated based on FVA returns submitted in 2017. The net book value on restatement will exclude the value of housing properties transferred in the year where business combinations are accounted for using the acquisition method. The NBV of housing properties reported in the 2016 Global Accounts was £134.8bn based on consolidated returns (£131.1bn based on entity returns).

At a consolidated level, the gross book value (GBV) of properties increased by £8.3bn in the year to a total of £156.9bn at March 2017. Movements during the year included:

- £7.9bn of investment in the properties including £6.3bn in new supply
- £2.2bn from transfers, including inter group transfer and mergers
- Stock disposals with a book value of £1.5bn
- Revaluation and other movements resulting in a reduction of £0.4bn

A total of £1.7bn was added to the sector's total depreciation and impairment balance during the year, resulting in a net book value (NBV) of £139.5bn. This represents an increase of £6.5bn (4.9%) during the year.

10. Other fixed assets and investments

Table 15: Other fixed assets

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Amounts owed by group undertakings	0.0	N/A	2.6	N/A
Tangible fixed assets: Other	1.8	1.8	1.6	1.6
HomeBuy loans receivable	0.9	0.9	0.8	0.9
Intangible fixed assets and goodwill	0.2	0.1	0.1	0.1
Total	2.9	2.9	5.2	2.5

Based on consolidated returns, other fixed assets were valued at £2.9bn and are made up primarily of tangible fixed assets other than housing properties (64%), which includes items such as office buildings and IT equipment.

At the entity level the total is £5.2bn and includes £2.6bn owed by group undertakings. This is predominantly (81%) attributable to five providers reporting balances of more than £100m. This disclosure was added to the returns this year and includes amounts previously reported in other disclosures (predominantly other investments) and amounts resulting from merger activity undertaken during the year.

Table 16: Investments

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Investment properties	4.7	4.0	3.1	2.8
Investment in joint ventures	0.7	0.5	0.1	0.0
Investment in associates	0.1	0.1	0.3	0.2
Other investments	1.0	1.0	2.6	3.2
Total	6.4	5.5	6.0	6.2

The value of investment properties reported in consolidated group accounts increased by £0.7bn (19%) to £4.7bn in 2017. This consists of both housing properties developed for market rent and commercial properties. It is heavily concentrated within a small number of providers. Ten groups reported more than £100m of investment properties and between them account for 67% of the sector total.

Investment in joint ventures increased by £0.2bn (37%) to £0.7bn. There were a total of 33 groups which reported investments in joint ventures with one large provider accounting for 57% of the sector total. The value of investment properties and investment in joint ventures is markedly lower in the entity level accounts as much of this activity is managed through non-registered entities.

The combination of investment in associates and other investments in the entity level accounts decreased by £0.6bn (17%). The balances reported are greater in the entity accounts as a substantial proportion of these investments relate to other entities within group structures. The decrease in other investments at the entity level has been caused by restatement to the new amounts owed by group undertakings disclosure (see Table 15: Other fixed assets).

In the entity level accounts, three large providers have disclosed more than £200m in the other investments disclosure, together accounting for 46% (£1.2bn) of the sector total. These amounts consist primarily of investments in related undertakings.

11. Current assets

Total current assets held by consolidated groups increased by 9.2% to £15.6bn. At entity level total current assets decreased by 3.3% to £13.2bn.

The total value of properties held for sale is greater at consolidated level (£4.8bn compared to £1.8bn in entity returns), reflecting market sale developments undertaken by unregistered entities. In comparison to 2016, properties held for sale increased by £1.2bn (35%). More than 85% of the balance disclosed in 2017, and the vast majority of the year on year increase, is attributable to land and properties under construction rather than unsold completed properties. There were 11 providers who each had more than £100m of properties held for sale. Together the 11 providers account for 63% of the sector total.

Table 17: Cash and short-term investments

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Cash and cash equivalents	5.7	5.5	4.7	4.5
Short term investments	1.2	1.3	0.9	1.1
Total	6.9	6.8	5.5	5.5

Based on consolidated returns, cash and short-term investments increased by £0.1bn to £6.9bn. A number of providers have restated 2016 figures and reported balances previously included as short-term investments as cash. Cash held by the sector increased by 2.8% to £5.7bn. Short-term investments reported by the sector decreased by 7.6% to £1.2bn.

Table 18: Other current assets

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Amounts owed by group undertakings	0.0	0.0	2.1	2.7
Refurbishment obligations ²³	0.9	1.1	0.9	1.1
Other	1.0	1.0	0.8	0.7
Total	2.0	2.1	3.8	4.6

Amounts owed by group undertakings make up 54% of other current assets in entity level accounts and showed a £0.7bn reduction during the year. These assets are eliminated on consolidation in group accounts.

12. Other current liabilities

Table 19: Other current liabilities

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Trade creditors	0.6	0.6	0.4	0.4
Rent and serviced charge received in advance	0.4	0.3	0.4	0.3
Amounts owed to group undertakings	0.0	0.0	1.1	1.3
RCGF and DPF	0.3	0.2	0.3	0.2
Accruals and deferred income	2.3	2.2	1.6	1.7
Pension deficit contribution liability	0.1	N/A	0.1	N/A
Other	1.4	1.3	1.1	1.1
Total	5.0	4.6	4.9	5.0

The total amount of other current liabilities declared in the consolidated group accounts increased by £0.4bn (8%) to £5.0bn. At the entity level the total amount was £4.9bn, representing a decrease of 1.8% in the year. In both sets of accounts the largest item is accruals and deferred income representing 46% of the consolidated group and 33% of the entity total.

Amounts owed to group undertakings make up 22% of the total in the entity level accounts and showed a 14% (£0.2bn) reduction during the year. These liabilities are eliminated on consolidation in group accounts.

²³ See note 16 for explanation of refurbishment obligation

13. Debt

Total debt held by the sector at consolidated level increased by £2.9bn (4.1%) to £69.6bn. More than half of the increase in 2017 (£1.8bn) is attributable to one large provider.

Table 20: Debt

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Short-term loans	1.5	1.9	1.6	1.7
Long-term loans	67.6	64.4	54.1	53.4
Amounts owed to group undertakings	0.0	0.0	12.0	9.7
Finance lease obligations	0.4	0.4	0.3	0.2
Total	69.6	66.7	67.9	65.0

The entity returns include £12.0bn of debt owed to group undertakings. A number of large groups arrange finance using treasury vehicles that borrow funds on behalf of the group to on-lend to group members.

Short-term loans have increased by £0.4bn to £1.5bn. Refinancing risk can be expressed in terms of the percentage of loans that are due to be repaid within one year. Loans repayable within one year represented 2% of outstanding debt (2016: 3%)

14. Capital Grant

At consolidated group level, the total capital grant reported in the SOFP has decreased by £0.1bn from £35.4bn in 2016 to £35.3bn 2017. The decrease in the year includes the following.

- In 2017 government grant of £438m was amortised and recognised in income. The majority of housing properties are held at cost with deferred capital grant being held as a creditor in the SOFP and released to income over the useful life of the asset (the accrual model).
- A further £19m was released to income under the performance model, where providers hold properties at valuation and recognise grant as income on scheme completion.
- In 2017 a small number of providers restated grant figures following changes to accounting policies in respect of shared ownership properties. Relative to 2016, the restatements reduced grant disclosed in 2017 by approximately £170m.
- Estimated new grant received in the year of approximately £480m.

15. Other long-term creditors

Table 21: Other long-term creditors

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Fair value derivative financial instruments	2.8	N/A	2.5	N/A
HomeBuy grant	0.7	0.6	0.6	0.7
RCGF	0.8	0.8	0.8	0.8
DPF	0.1	0.1	0.1	0.1
Pension deficit contribution liability	0.5	N/A	0.4	N/A
Other	1.0	3.9	1.0	3.6
Total	5.9	5.3	5.4	5.1

Additional disclosures have been added to the data collection template to capture the largest items previously disclosed as 'other'. These were fair value derivative financial instruments and pension deficit contribution liability, which amounted to £2.8bn and £0.5bn respectively in the consolidated group accounts.

A total of 49 consolidated groups disclosed derivative financial instruments at fair value as a long-term creditor. These are providers that have utilised standalone interest rate swaps to fix the interest payable on variable rate debt, where the value of the cash flows due to the counterparty are greater than those owed to the provider. Of these providers, six disclosed a value in excess of £100m together, accounting for 42% of the sector total.

16. Provisions

The provision reported in respect of pension liabilities is covered in Note 8 Pensions. Based on the entity returns, other provisions disclosed by the sector decreased to £1.2bn in 2017 (2016: £1.6bn). In 2016, following changes in accounting standards, some providers chose to report derivative financial instruments as a provision. In 2017, the second year of FRS102 adoption, providers have reported derivative financial instruments in long-term creditors (see Note 15: Other long-term creditors).

Of the £1.2bn balance reported in 2017, £0.9bn relates to obligations to undertake refurbishment work where a stock transfer provider has entered into an agreement with a local authority. Providers must recognise both a payment in advance (creditor) and a prepayment (debtor). The latter is reported within current assets, see Note 11 current assets.

17. Reserves

The total reserves within the consolidated group accounts increased by 8.1% during the year to £45.2bn (Entity: 8.0%, £43.9bn). The majority of this relates to the annual surplus recognised in the year.

Income and expenditure reserves increased by 13.2% to £33.7bn (Entity 12.4%, £31.7bn).

Other reserves, as reported in the SOFP (Table 5), are further broken down in Table 22 below.

Table 22: Other reserves

<i>£bn</i>	Consolidated		Entity	
	2017	2016	2017	2016
Restricted reserves	0.6	0.6	0.6	0.6
Cashflow hedge reserves	(1.5)	N/A	(1.2)	N/A
Other reserves	0.1	(1.1)	0.1	(0.9)
Total	(0.8)	(0.5)	(0.5)	(0.4)

The cashflow hedge reserve disclosure was added to the FVA data collection template in 2017. In 2016 Cashflow hedge reserves were included in other reserves. The remaining balances included in other reserves in 2017 primarily relate to designated reserves, as reported in providers' financial statements.

In the majority of cases where providers have applied hedge accounting in respect of interest rate swaps, a negative hedge reserve is recognised.

Reserves are not 'cash backed' as the surpluses transferred to the SOFP are reinvested in providers' businesses, including major repairs of existing stock and the development of new homes.

18. Units

Table 23: Social homes in management

Social Units (000s)	Consolidated	Entity
Opening units	2,734²⁴	2,691
New units developed or acquired	41	41
Units sold / demolished	(18)	(18)
Transfers and dataset adjustments	5	5
Closing units	2,761	2,717

²⁴ Changes were made to the FVA data collection template in respect of disclosures on social and non-social units in management. As a result of adjustments made by providers, closing social housing units have been restated for two providers. The impact of the restatements is to reduce 2016 closing social housing units managed by 11,000 units.

The sector completed 41,000 units in 2017 and sold or demolished 18,000 units. There were no stock transfers from local authorities in the year. Based on consolidated returns, four providers managed more than 1,000 units for the first time in 2017 and were added to the Global Accounts dataset. The additional providers managed 5,000 units at the start of the year.

Table 24: Non-social homes in management

Non-Social Units (000s)	Consolidated	Entity
Opening units	209	103
New units developed or acquired	4	3
Units sold / demolished	(1)	(2)
Transfers and other	17	(8)
Closing units	229	96

In 2017, for the first time, a disclosure relating to non-social housing units was added to the FVA data collection template. The number of homes managed in consolidated returns is greater than based on aggregate entity returns. This reflects the extent to which non-social activity is delivered within non-registered entities within group structures.